

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Monroe County, Tennessee)
Madisonville, Tennessee

ANNUAL FINANCIAL STATEMENTS

June 30, 2015 and 2014

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 (A Component Unit of Monroe County, Tennessee)
 Madisonville, Tennessee
 June 30, 2015 and 2014

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MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Monroe County, Tennessee)
Madisonville, Tennessee

INTRODUCTORY SECTION

June 30, 2015 and 2014

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Monroe County, Tennessee)
Madisonville, Tennessee
June 30, 2015 and 2014

BOARD OF DIRECTORS

Boyd Curtis, DVM
Chairman
275 Watson Trace
Madisonville, TN 37354

Chief Greg Breeden
420 Kinzalow Circle
Sweetwater, TN 37874

Harold Hawkins
405 Spence Street
Tellico Plains, TN 37385

Chief Eddie Byrum
207 Monroe Street
Sweetwater, TN 37874

Sheriff Tommy Jones
112 Wind Chase Way
Madisonville, TN 37354

Steve Teague
723 Old State Road
Tellico Plains, TN 37385

Gary Smith
111 Lee Road
Tellico Plains, TN 37385

David Chambers
249 Tate Mill Road
Tellico Plains, TN 37385

Harold Davis
P.O. Box 184
Vonore, TN 37885

Monroe County Emergency Communications District
P. O. Box 869
Madisonville, Tennessee

January 13, 2016

To the County Mayor,
Members of the Board of Commissioners,
and Citizens of Monroe County, Tennessee

Annual Financial Report

The annual financial report of the Monroe County Emergency Communications District of Madisonville, Tennessee (a component unit of Monroe County, Tennessee) (the "District") for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The annual financial report is presented in three sections: introductory, financial and supplemental. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes, as required by Governmental Accounting Standards Board Statement No. 34, the report of the independent auditors, the management discussion and analysis, the basic financial statements. Supplemental information is included in section three.

The purpose of the District is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

Risk Management

The District acquires commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers compensation and health insurance. All full-time employees are provided with traditional health care insurance that covers hospitalization and major medical expenses within specified limits.

Employees are also provided life insurance and disability insurance. In addition, employees contribute to the Tennessee Consolidated Retirement System, with a matching share being contributed by the employer.

Cash Management

At the end of the fiscal year, June 30, 2015, the District has \$460,225 in bank accounts: checking and certificates of deposit.

Independent Audit

The financial statements of the District for the fiscal year ended June 30, 2015 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

The financial statements are the responsibility of the District. The responsibility of the Independent Public Accountants is to express an opinion on the District's financial statements based on their audit. An audit is conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Acknowledgements

The employees of the District are its most valuable asset. These individuals serve productively in the operations 24 hours a day, three hundred sixty-five days a year. They continuously provide quality services to the citizens of Monroe County. It is to these committed individuals that this document is dedicated.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dr. Boyd Curtis", is written over a horizontal line.

Dr. Boyd Curtis
Chairman of the Board

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee

FINANCIAL SECTION

June 30, 2015 and 2014

Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Joe S. Ingram, CPA (1948 - 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
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865-982-1665

INDEPENDENT AUDITORS' REPORT

Board of Directors
Monroe County Emergency Communications District
Madisonville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 respective financial position of the business-type activities of the Monroe County Emergency Communications District, as of June 30, 2015 and 2014, and the respective changes in financial position

and, where applicable, cash flows thereof for the years 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 6 through 8 and required supplementary information on pages 26 and 27 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 Monroe County Emergency Communications District's basic financial statements. The introductory section and supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental section on pages 28 through 33 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 1 through 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016, on our consideration of the Monroe 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 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 Monroe County Emergency Communications District's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, P. C.

Alcoa, Tennessee
January 13, 2016

Monroe County Emergency Communications District
P. O. Box 869
Madisonville, Tennessee 37354

January 13, 2016

Our discussion and analysis of the Monroe County Emergency Communications District of Monroe County, Tennessee's financial performance provides an overview of the District's activities for the year ended June 30, 2015. Please read it in conjunction with the transmittal letter and 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 are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

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

	<u>6-30-15</u>	<u>6-30-14</u>	<u>6-30-13</u>
Telephone and Wireless company "911" fees and Operational Funding	18.0%	48.5%	59.0%
Appropriations from Primary Governments	24.0	19.6	13.0
Appropriations from other governments	33.0	22.3	20.0
TECB Grants/Other	24.9	9.4	7.8
Interest income	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$822,556 and \$758,635 for the fiscal years ended June 30, 2015 and 2014, respectively.

NET POSITION

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 460,225	\$ 631,838	\$ 609,411
Non-current assets	<u>1,256,773</u>	<u>584,054</u>	<u>298,796</u>
Total Assets	<u>1,716,998</u>	<u>1,215,892</u>	<u>908,207</u>
Deferred outflows of resources	<u>21,117</u>	-	-
Current liabilities	<u>1,259</u>	<u>247,337</u>	<u>5,449</u>
Total Liabilities	<u>1,259</u>	<u>247,337</u>	<u>5,449</u>
Deferred inflows of resources	<u>107,963</u>	-	-
Net Position:			
Net investment in capital assets	1,256,773	338,353	298,796
Unrestricted	<u>372,120</u>	<u>630,202</u>	<u>603,962</u>
Total Net Position	<u>\$ 1,628,893</u>	<u>\$ 968,555</u>	<u>\$ 902,758</u>
Total Revenues	\$ 1,480,215	\$ 824,432	\$ 831,558
Total Expenses	<u>822,556</u>	<u>758,635</u>	<u>738,326</u>
Change in Net Position	<u>\$ 657,659</u>	<u>\$ 65,797</u>	<u>\$ 93,232</u>

Net position of the District increased by 68.1% during the current year. Unrestricted net position, the part of the net position that can be used to finance day-to-day operations, decreased by 41%.

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net position ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 458,966	\$ 384,501	\$ 603,962
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	365.55	2.56	112
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	99	304	319

CAPITAL ASSETS

At the fiscal year ended June 30, 2015, the District had \$1,139,137 net investment in capital assets as outlined below (a 96% increase from the last year). The increase was primarily from the acquisition of equipment and building/improvements.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Buildings	\$ 523,581	\$ 392,895	\$ 138,278
Communication equipment	574,808	179,247	144,291
Other equipment	38,776	9,045	12,466
Office furniture and equipment	1,972	2,867	3,761
Vehicle	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,139,137</u>	<u>\$ 584,054</u>	<u>\$ 298,796</u>

DEBT

At the fiscal year end, June 30, 2015, the District had repaid all debt from the USDA Loan Program used to finance an expansion and renovation of the District's building and equipment.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2015, and the final budget were caused primarily by decreased operating expenses.

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 Director of the District, P. O. Box 869, Madisonville, Tennessee 37354.

Respectfully submitted,



Dr. Boyd Curtis
Chairman of the Board

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

ASSETS	<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash	\$ 197,593	\$ 319,362
Certificates of Deposit	<u>262,632</u>	<u>312,476</u>
Total Current Assets	<u>460,225</u>	<u>631,838</u>
Non-Current Assets:		
Building and improvements	523,581	392,895
Communications equipment	574,808	179,247
Other equipment	38,776	9,045
Office equipment and furniture	1,972	2,867
Net Pension Asset	<u>117,636</u>	<u>-</u>
Total Non-Current Assets	<u>1,256,773</u>	<u>584,054</u>
Total Assets	<u>1,716,998</u>	<u>1,215,892</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	<u>21,117</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1,259	1,636
Construction advance - USDA	<u>-</u>	<u>245,701</u>
Total Current Liabilities	<u>1,259</u>	<u>247,337</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	<u>107,963</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	1,256,773	338,353
Unrestricted	<u>372,120</u>	<u>630,202</u>
Total Net Position	<u>\$ 1,628,893</u>	<u>\$ 968,555</u>

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Emergency Telephone Service Revenue	\$ 77,833	\$ 105,393
State Emergency Communications Board:		
Shared Wireless Revenue	102,998	127,513
Operational Funding	<u>83,607</u>	<u>167,214</u>
Total Operating Revenues	<u>264,438</u>	<u>400,120</u>
OPERATING EXPENSES:		
Salaries	465,565	440,342
Employee benefits	126,590	140,894
Contracted services	38,588	40,488
Rentals - equipment	31,551	33,221
Maintenance and repairs	9,970	16,034
Supplies and materials	11,285	5,755
Utilities	26,861	26,825
Other charges	5,524	1,686
Insurance	14,561	13,707
Depreciation	<u>80,719</u>	<u>39,683</u>
Total Operating Expenses	<u>811,214</u>	<u>758,635</u>
OPERATING INCOME (LOSS)	<u>(546,776)</u>	<u>(358,515)</u>
NON-OPERATING REVENUES (EXPENSES):		
Contributions from primary governments and agencies	970,965	162,000
Contribution from other government	187,000	184,100
Interest income	867	2,011
TECB Grants	49,138	75,513
Interest Expense	(11,342)	-
Pension Income	6,992	-
Miscellaneous Income	<u>815</u>	<u>688</u>
Total Non-Operating Revenues	<u>1,204,435</u>	<u>424,312</u>
Change in Net position	657,659	65,797
NET POSITION – BEGINNING OF YEAR (2015 Restated – Note 1G)	<u>971,234</u>	<u>902,758</u>
NET POSITION – END OF YEAR	<u>\$ 1,626,214</u>	<u>\$ 968,555</u>

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for telephone usage fees and other revenues	\$ 180,831	\$ 233,594
Other Operating Receipts	83,607	167,214
Payments to suppliers	(170,361)	(141,529)
Payments for salaries and fringe benefits	<u>(592,155)</u>	<u>(581,236)</u>
Net Cash Provided(Used) by Operating Activities	<u>(498,078)</u>	<u>(321,957)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on loan	(245,701)	-
Proceeds from construction loan - USDA	-	245,701
Acquisition of capital assets	<u>(635,803)</u>	<u>(324,941)</u>
Net cash used from capital and related financing activities	<u>(881,504)</u>	<u>(79,240)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Contributions from local governments	349,000	346,100
Grants and State Appropriations	<u>858,103</u>	<u>75,513</u>
Net Cash Provided from Non Capital Financing Activities	<u>1,207,103</u>	<u>421,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash deposits and certificates of deposit	<u>866</u>	<u>2,011</u>
Net Increase (decrease) in Cash	(171,613)	22,427
Cash at Beginning of Year	<u>631,838</u>	<u>609,411</u>
Cash at End of Year	<u>\$ 460,225</u>	<u>\$ 631,838</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (546,776)	\$ (358,515)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation	80,719	39,683
Miscellaneous income	815	688
Interest expense	(11,342)	-
Change in assets and liabilities:		
Accounts payable	(377)	(3,813)
Change in Net Pension Asset	<u>(21,117)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (498,078)</u>	<u>\$ (321,957)</u>

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2015 and 2014

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MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with accounting principles generally accepted in the United States of America (GAAP). The District uses the required *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* effective July 1, 2008. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. FINANCIAL REPORTING ENTITY

The Monroe County Emergency Communications District of (911), a component unit of Monroe County, Tennessee, was established by a resolution of the Monroe County Board of Commissioners in April, 1986, and subsequently approved by the voters of Monroe County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1992.

The District is governed by nine (9) directors appointed by the Monroe County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Monroe County Board of County Commissioners. The District's Board employs a director and staff to conduct the daily business of the organization.

The purpose of the Monroe County Emergency Communications District is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

B. BASIS OF PRESENTATION

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net position and Statement of Revenues, Expenses and Changes in Net position display information about the reporting District as a whole. The statements present the District as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statement of Net position and the Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the economic resources measurement focus as defined below.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus (Continued)

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, a business-like activity (proprietary type) is presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Allocations of costs such as depreciation are recorded in proprietary funds.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments, if applicable, are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Receivables

In the basic financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the District activities include emergency telephone service revenue and rent earned.

Capital Assets and Depreciation

In the basic financial statements, fixed assets are accounted for and capitalized as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Capital Assets and Depreciation (Continued)

Depreciation of capital assets is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Improvements	10 – 50 years
Machinery and equipment	03 – 20 years

Compensated Absences

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. At June 30, 2015 and 2014 the District had no liability for compensated absences or accumulated sick leave. Vacation days are required to be used during each fiscal year with no carry-over to future periods.

Net Position Classifications

Net position 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 and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets."
- c. Restricted net position comprise those amounts contained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.

When both restricted and unrestricted funds are available for expenditures, restricted funds are spent first unless legal requirements disallow it.

E. REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Operating Revenues/Expenses

Operating revenues and expenses generally result from providing services in connection with the proprietary fund's ongoing operations.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES AND EXPENSES (Continued)

Operating Revenues/Expenses (Continued)

The principal operating revenue of the District is established by “tariff rate”, a flat monthly recurring telephone charge for one-party residence and another rate for business exchange access service within the base rate area governed by the boundaries of the District. Revenue is collected by telephone service providers and remitted monthly to the District. Rates were \$0.65 for residence lines and \$2.00 for business lines. Wireless fees are collected and remitted bi-monthly to the District through the State of Tennessee.

Operating expenses include salaries, employee benefits, purchased services, supplies, materials, and depreciation on capital assets. In the financial statements, expenses are classified by function for business-type activities by operating and non-operating.

Non-operating Revenues/Expenses

Non-operating revenues/expenses are all other revenues and expenses not meeting the definition of operating revenues/expenses above. The District’s principal non-operating revenues are rent, terminal fees, local government appropriations, and interest income.

F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as an Emergency Communications District (E-911) unit, the entity is subject to various federal, state, and local laws and contractual regulations. An analysis of the entity’s compliance with significant laws and regulations and demonstration of its stewardship over entity resources follows.

Fund accounting requirements

The E-911 complies with all state and local laws and regulations pertaining to Emergency Communications Districts as prescribed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* issued by the State of Tennessee, Comptroller of the Treasury, Division of County Audit, effective July 1, 2008.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Use of Estimates (Continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual Budget

An annual budget is adopted by the District, approved by the Board of Directors, and submitted to the Tennessee Emergency Communications Board. The budget is based on expected expenses and estimated revenue resources. The budgetary basis is the accrual basis of accounting. If changes to estimated amounts become evident during the fiscal year, the District Board may amend the budget. All budget items lapse at the end of the fiscal year. Budgetary comparison schedules are presented in the supplemental section of the basic financial statements. As required by the *Accounting and Reporting Manual for Tennessee Emergency Communications Districts*, the legal level of budgetary control is at the line-item level.

G. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT

In June 2012 the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014. This statement revises existing standards for measuring and reporting pension (liabilities) assets for pensions provided by the District to its employees. This Statement requires recognition of a (liability) asset equal to the net pension (liability) asset which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The District implemented this standard effective July 1, 2014. The District's beginning Net Position at that date was restated to reflect the effects of this pronouncement as follows:

Net Position, July 1, 2014	\$ 968,555
Recognition of pension (liability) asset	<u>2,679</u>
Restated Net Position, July 1, 2014	<u>\$ 971,234</u>

NOTE 2 – CASH

In order to provide a safe temporary medium for investment of idle funds, districts are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015 and 2014

NOTE 2 – CASH (Continued)

In order to provide a safe temporary medium for investment of idle funds, districts are authorized by TCA 6-56-106 to invest in the following:

- (4) Certificates of Deposit at state and federal chartered banks and savings and loans associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash includes bank balances and certificates of deposit that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Credit Risk – It is the District's policy to minimize custodial credit risk associated with cash deposits by utilizing financial institutions that issue deposits through the Federal Deposit Insurance Corporation and participate in the Tennessee State Collateral Pool. In addition, other investment credit risk losses are minimized by limiting investments to the safest types of securities.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

All capital assets are valued at historical cost. Depreciation is provided over the assets estimated useful lives using the straight-line basis. Changes in fixed assets and depreciation are as follows:

FISCAL YEAR ENDED JUNE 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value</u> <u>June 30, 2015</u>
NONDEPRECIABLE:						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEPRECIABLE:						
Building	450,819	144,561	-	595,380	(71,799)	523,581
Communication equipment	702,078	457,230	(389,253)	770,055	(195,247)	574,808
Other equipment	41,094	18,424	-	59,518	(40,089)	19,429
Office equipment	41,562	-	-	41,562	(39,590)	1,972
Furniture & fixtures	26,086	15,588	-	41,674	(22,327)	19,347
Vehicle	24,738	-	-	24,738	(24,738)	-
Totals	<u>\$ 1,286,377</u>	<u>\$ 635,803</u>	<u>\$ (389,253)</u>	<u>\$ 1,532,927</u>	<u>\$ (393,790)</u>	<u>\$1,139,137</u>

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

All capital assets are valued at historical cost. Depreciation is provided over the assets estimated useful lives using the straight-line basis. Changes in fixed assets and depreciation are as follows:

FISCAL YEAR ENDED JUNE 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value</u> <u>June 30, 2014</u>
NONDEPRECIABLE:						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEPRECIABLE:						
Building	191,393	259,426	-	450,819	(57,924)	392,895
Communication equipment	636,563	65,515	-	702,078	(522,831)	179,247
Other equipment	41,094	-	-	41,094	(37,871)	3,223
Office equipment	41,562	-	-	41,562	(38,695)	2,867
Furniture & fixtures	26,086	-	-	26,086	(20,264)	5,822
Vehicle	24,738	-	-	24,738	(24,738)	-
Totals	<u>\$ 961,436</u>	<u>\$ 324,941</u>	<u>\$ -</u>	<u>\$ 1,286,377</u>	<u>\$ (702,323)</u>	<u>\$ 584,054</u>

Depreciation expense for the fiscal year ended June 30, 2015 and 2014 amounted to \$80,719 and \$39,683, respectively.

NOTE 4 – COMMITMENT – AT&T

AT&T (formerly BellSouth) furnishes Stand Alone Location Identification (SALI) equipment to the District at the rates prescribed by the tariffs of the Tennessee Public Service Commission (TPSC). These rates charged by AT&T vary with increases or decreases mandated by the TPSC, and for the Per 1000 Access Lines Served for the Combined Automatic Number and SALI. The access charge is based upon the maximum number of access lines in service during the calendar year and is adjusted annually at the end of each calendar year.

The lease term with AT&T is indefinite as to time and is currently at a rate of \$1,990 per month.

NOTE 5 – DEBT

During the year ended June 30, 2015 the District received construction advances from USDA. Total debt approved will not exceed \$315,800 with interest at 3.375%, payable over 39 years at \$1,216 per month (principal and interest). All debt was repaid by June 30, 2015.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6 – RISK FINANCING ACTIVITIES

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three (3) fiscal years.

NOTE 7 – GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description. Employees of Monroe 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 agent 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. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015 and 2014

NOTE 7 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>10</u>
	<u>23</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. Monroe 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 Monroe County Emergency Communications District were \$21,117 based on a rate of 5.61 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Monroe 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)

Monroe 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 period 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 assumptions were adjusted to more closely reflect actual and expected future experience.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial assumptions (Continued)

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 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 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:

<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%

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 Monroe County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation on 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 p

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2013	\$ 773,720	\$ 755,382	\$ 18,338
Changes for the year:			
Service cost	31,730	-	31,730
Interest	59,476	-	59,476
Differences between expected and actual experience	(60,068)	-	(60,068)
Contributions – employer	-	21,017	(21,017)
Contributions – employees	-	18,732	(18,732)
Net investment income	-	127,790	(127,790)
Benefit payments, including refunds of employee contributions	(24,877)	(24,877)	-
Administration expense	-	(429)	429
Net changes	<u>6,261</u>	<u>142,233</u>	<u>(135,972)</u>
Balance at June 30, 2014	\$ <u>779,981</u>	\$ <u>897,615</u>	\$ <u>(117,634)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Monroe 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	\$ 19,165	\$ (117,634)	\$ (225,016)

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

Pension income. For the year ended June 30, 2015, Monroe County Emergency Communications District recognized pension income of \$6,992.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 51,487
Net difference between projected and actual earnings on pension plan investments	-	56,476
Contributions subsequent to the measurement date of June 30, 2014	<u>21,117</u>	<u>-</u>
Total	<u>\$ 21,117</u>	<u>\$ 107,963</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.

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

Deferred outflows of resources and deferred inflows of resources (Continued):

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

<u>Year ended June 30:</u>	
2016	\$ (22,700)
2017	(22,700)
2018	(22,700)
2019	(22,700)
2020	(8,581)
Thereafter	(8,581)

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, Monroe County Emergency Communications District reported a payable of \$728.95 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is January 13, 2016, which is the date on which the financial statements were issued.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015 and 2014

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30,

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

	<u>2014</u>
Total pension liability	
Service cost	\$ 31,730
Interest	59,476
Changes in benefit terms	-
Differences between actual & expected experience	(60,068)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(24,877)</u>
Net change in total pension liability	6,261
Total pension liability - beginning	<u>773,720</u>
Total pension liability – ending (a)	<u>\$ 779,981</u>
Plan fiduciary net position	
Contributions – employer	\$ 21,017
Contributions – employee	18,732
Net investment income	127,790
Benefits payments, including refunds of employee contributions	(24,877)
Administrative expense	<u>(429)</u>
Net change in plan fiduciary net position	142,233
Plan fiduciary net position – beginning	<u>755,382</u>
Plan fiduciary net position – ending (b)	<u>\$ 897,615</u>
Net pension liability (asset) – ending (a) – (b)	<u>\$ (117,634)</u>
Plan fiduciary net position as a percentage of total pension liability	115.08%
Covered – employee payroll	\$ 374,639
Net pension liability (asset) as a percentage of covered – employee payroll	31.40%

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.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 REQUIRED SUPPLEMENTARY INFORMATION
 Fiscal Year Ended June 30, 2015 and 2014

Schedules of Changes in Monroe County Emergency Communications District's Contributions Based on Participation in the Public Employee Pension Plan of TCRS

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 21,017	\$ 21,117
Contributions in relation to the actuarially determined contribution	<u>21,017</u>	<u>21,117</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered- employee payroll	\$ 374,639	\$ 376,417
Contributions as a percentage covered – employee payroll	5.61%	5.61%

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 years until 10 years of information is available.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
 PRESENTED ON PAGES 26-27
 For the Fiscal Year Ended June 30, 2015 and 2014

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	6 years
Asset valuation	10-year smoothed with 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

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee

SUPPLEMENTAL SECTION

June 30, 2015

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Madisonville, Tennessee

**SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
OPERATING REVENUES:				
Emergency Telephone Service Charge	\$ 57,250	\$ 57,250	\$ 77,833	\$ 20,583
State Emergency Communications Board - Shared Wireless Revenue	58,063	58,063	102,998	44,935
Operational Funding - TECB	<u>83,500</u>	<u>83,500</u>	<u>83,607</u>	<u>107</u>
Total Operating Revenues	<u>198,813</u>	<u>198,813</u>	<u>264,438</u>	<u>65,625</u>
OPERATING EXPENSES:				
Salaries and Wages:				
Director	59,740	66,210	65,960	250
Administrative/Address Personnel	66,000	66,000	65,681	319
Dispatch Part-time	49,000	43,000	42,608	392
Dispatchers	290,000	230,000	229,968	32
Overtime	<u>25,000</u>	<u>63,000</u>	<u>61,348</u>	<u>1,652</u>
Total Salaries and Wages	<u>489,740</u>	<u>468,210</u>	<u>465,565</u>	<u>2,645</u>
Employee Benefits:				
Social Security taxes/Medicare	37,500	37,500	35,616	1,884
Employee Insurance	81,800	91,100	90,484	616
Unemployment compensation taxes	1,000	1,000	489	511
Retirement Contributions	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Total Employee Benefits	<u>142,300</u>	<u>151,600</u>	<u>126,589</u>	<u>25,011</u>
Contracted Services:				
Audit Services	4,500	4,500	4,500	-
Accounting Services	6,000	6,000	6,000	-
Janitorial Service/Maintenance	10,600	11,330	10,967	363
NCIC/TBI/TIES Services	8,000	5,200	5,120	80
Systems Manager	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total Contracted Services	<u>41,100</u>	<u>39,030</u>	<u>38,587</u>	<u>443</u>
Lease/Rental:				
Communications Equipment	24,500	31,300	31,206	94
Office equipment	<u>-</u>	<u>350</u>	<u>345</u>	<u>5</u>
Total Lease/Rental	<u>24,500</u>	<u>31,650</u>	<u>31,551</u>	<u>99</u>

See accompanying independent auditors' report and notes to the basic financial statements.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 SCHEDULE OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (Continued)
 For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Maintenance and Repairs:				
Radio Consoles	5,000	3,500	3,424	76
Building Maintenance/Repairs	1,000	4,100	4,019	81
Office Equipment	1,500	1,500	1,454	46
Vehicle	<u>2,500</u>	<u>2,500</u>	<u>1,073</u>	<u>1,427</u>
Total Maintenance and Repairs	<u>10,000</u>	<u>11,600</u>	<u>9,970</u>	<u>1,630</u>
Supplies and Materials:				
Postage, Printing and Copies	300	300	251	49
Custodial	2,200	2,200	1,205	995
Office Supplies	4,000	6,600	6,526	74
Miscellaneous	<u>2,000</u>	<u>3,600</u>	<u>3,303</u>	<u>297</u>
Total Supplies and Materials	<u>8,500</u>	<u>12,700</u>	<u>11,285</u>	<u>1,415</u>
Utilities:				
Electric	15,000	10,000	9,160	840
Gas, Water, Sewer	500	1,500	1,497	3
Cell Phones and Pagers	2,500	2,500	1,654	846
Telephone	<u>16,500</u>	<u>14,560</u>	<u>14,551</u>	<u>9</u>
Total Utilities	<u>34,500</u>	<u>28,560</u>	<u>26,862</u>	<u>1,698</u>
Other Charges:				
Mortgage	14,510	14,510	11,342	3,168
Dues and Memberships	600	600	176	424
Travel and Training Expense	5,500	6,700	5,308	1,392
Legal notices	<u>200</u>	<u>200</u>	<u>38</u>	<u>162</u>
Total Other Charges	<u>20,810</u>	<u>22,010</u>	<u>16,864</u>	<u>5,146</u>
Insurance:				
Liability Insurance	7,000	8,700	8,658	42
Commercial Property Insurance/Vehicle	4,300	4,300	4,124	176
Workmen's Compensation Insurance	1,800	1,800	1,782	18
Surety Bonds	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total Insurance	<u>13,300</u>	<u>15,000</u>	<u>14,564</u>	<u>436</u>

See accompanying independent auditors' report and notes to the basic financial statements.

(Continued)

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – BUDGET AND ACTUAL (Continued)
 For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Depreciation	<u>52,000</u>	<u>52,000</u>	<u>80,719</u>	<u>(28,719)</u>
TOTAL OPERATING EXPENSES	<u>836,750</u>	<u>832,360</u>	<u>822,556</u>	<u>9,804</u>
OPERATING INCOME (LOSS)	<u>(637,937)</u>	<u>(633,547)</u>	<u>(558,118)</u>	<u>75,429</u>
Non-operating Revenues (Expenses):				
Contributions from Primary Governments:				
Monroe County, Tennessee	162,000	162,000	162,000	-
City of Sweetwater, Tennessee	70,700	70,700	70,700	-
City of Madisonville, Tennessee	70,700	70,700	70,700	-
City of Vonore, Tennessee	27,500	27,500	27,500	-
City of Tellico Plains, Tennessee	18,400	18,400	18,100	(300)
State Emergency Communications Board Grant: Dispatch Training	21,000	21,000	30,473	9,473
Interest Income	600	600	1,682	1,082
TECB Grants	8,000	8,000	49,138	41,138
TECB Grant Next Gen	-	-	291,601	291,601
State Funds	258,887	258,887	486,891	228,004
Pension Income	<u>-</u>	<u>-</u>	<u>6,992</u>	<u>6,992</u>
Total Non-operating Revenues (Expenses)	<u>637,787</u>	<u>637,787</u>	<u>1,215,777</u>	<u>577,990</u>
CHANGE IN NET POSITION	(150)	4,240	657,659	653,419
NET POSITION – BEGINNING OF YEAR	<u>968,555</u>	<u>968,555</u>	<u>968,555</u>	<u>-</u>
NET POSITION – END OF YEAR	<u>\$ 968,405</u>	<u>\$ 972,795</u>	<u>\$1,626,214</u>	<u>\$ 653,419</u>

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 SCHEDULE OF INSURANCE IN FORCE
 June 30, 2015

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-14 to 11-23-15	General Liability: \$300,000 per person for bodily injury \$700,000 per occurrence for bodily injury \$100,000 per occurrence for property damage \$1,000,000 per occurrence for each other loss
Westfield Companies	CWP-3-692-320	3-31-15 to 3-31-16	Commercial Property Coverage: Building and Contents - \$2,602,500, \$1,000 Deductible; Other – Tower and 911 System - \$48,000, \$1,000 Deductible

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
SCHEDULE OF CHANGES IN FIXED ASSETS
 June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value</u> <u>June 30, 2015</u>
NONDEPRECIABLE:						
Land	\$ _____	\$ _____ -	\$ _____ -	\$ _____	\$ _____ -	\$ _____ -
DEPRECIABLE:						
Building	450,819	144,561	-	595,380	71,799	523,581
Communication equipment	702,078	457,230	389,253	770,055	195,247	574,808
Other equipment	41,094	18,424	-	59,518	40,089	19,429
Office equipment	41,562	-	-	41,562	39,590	1,972
Furniture & Fixtures	26,086	15,588	-	41,674	22,327	19,347
Vehicle	<u>24,738</u>	<u>-</u>	<u>-</u>	<u>24,738</u>	<u>24,738</u>	<u>-</u>
Totals	<u>\$ 1,286,377</u>	<u>\$ 635,803</u>	<u>\$ 389,253</u>	<u>\$ 1,532,927</u>	<u>\$ 393,790</u>	<u>\$ 1,139,137</u>

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Madisonville, Tennessee
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 June 30, 2015

<u>Program Name</u>	<u>Grant/Contract Number</u>	<u>Grantor Agency</u>	<u>Balance 7-1-14</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6-30-15</u>
Training Reimbursement Program	N/A	Tennessee Emergency Communications Board	\$ -	\$ 13,000	\$ 13,000	\$ -
Operational Funding		Tennessee Emergency Communications Board	-	83,607	83,607	-
Next Gen Upgrades		Tennessee Emergency Communications Board	-	291,601	291,601	-
GIS Tips Grant		Tennessee Emergency Communications Board	-	36,138	36,138	-
Federal Grant		USDA	<u>-</u>	<u>30,473</u>	<u>30,473</u>	<u>-</u>
Totals			<u>\$ -</u>	<u>\$454,819</u>	<u>\$ 454,819</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to the basic financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Madisonville, Tennessee

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

June 30, 2015



Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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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*

Board of Directors
Monroe County Emergency Communications District
Madisonville, 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 business-type activities of the Monroe 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 Emergency Communications District of Monroe County, Tennessee's basic financial statements, and have issued our report thereon dated January 13, 2016.

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 of material misstatement, we performed tests of its compliance, with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental 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.

Ingram, Overholt & Bean, P.C.

Alcoa, Tennessee
January 13, 2016