

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2015 and 2014

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee
June 30, 2015 and 2014

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**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee

INTRODUCTORY SECTION

June 30, 2015 and 2014

**Emergency Communications District
Of Blount County, TN
P. O. Box 4609
Maryville, Tennessee 37802-4609**

October 14, 2015

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

Annual Financial Report

The annual financial report of the Emergency Communications District of Blount County, Tennessee (a component unit of Blount County, Tennessee) (the "District") for the fiscal years ended June 30, 2015 and 2014, 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 District was established by a resolution of the Blount County Board of Commissioners in April 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987. The District is governed by nine (9) directors appointed by the Blount County Board of Commissioners. The District's Board employs directors and staff to conduct the daily business of the organization.

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 \$1,614,525 in bank accounts: checking, savings, and certificates of deposit. The District sets aside excess revenue from each monthly revenue received for future capital asset acquisitions.

Independent Audit

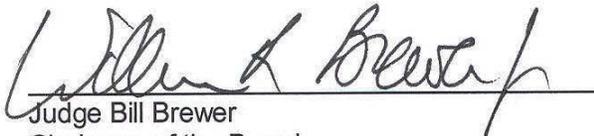
The financial statements of the District for the fiscal years ended June 30, 2015 and 2014 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

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.

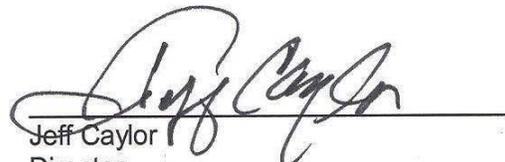
Acknowledgements

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 Blount County. It is to these committed individuals that this document is dedicated.

Respectively submitted,



Judge Bill Brewer
Chairman of the Board



Jeff Caylor
Director

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

FINANCIAL SECTION

June 30, 2015 and 2014



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Emergency Communications District
of Blount County, Tennessee
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Emergency Communications District of Blount County, Tennessee, a component unit of Blount 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 opinions.

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 Emergency Communications District of Blount County, Tennessee, 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 and required supplementary information on pages 6-8 and 32 through 35 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 Emergency Communications District of Blount County, Tennessee'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 36 through 41 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 information 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 October 14, 2015, on our consideration of the Emergency Communications District of Blount County, Tennessee'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 Emergency Communications District of Blount County, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, P. C.

Alcoa, Tennessee
October 14, 2015

**Emergency Communications District
Of Blount County, TN
P. O. Box 4609
Maryville, Tennessee 37802-4609**

October 14, 2015

Our discussion and analysis of the Emergency Communications District of Blount County, Tennessee's financial performance provides an overview of the District's activities for the year ended June 30, 2015 and 2014. 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 Positions and the Statement of Revenues, Expenses and Changes in Net Positions 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 Blount 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	16.4%	48.5%	46.2%
State Emergency Communications Board			
Operational Funding	48.3%	15.9%	14.6%
Appropriations from Blount County, Tennessee	14.8%	13.9%	12.8%
Appropriations from City of Maryville, Tennessee	7.4%	7.0%	6.4%
Appropriations from City of Maryville, Tennessee	7.4%	7.0%	6.4%
Appropriations from City of Townsend, Tennessee	.3%	.3%	.2%
State reimbursement	4.8%	6.8%	12.9%
Interest income and terminal fees	.6%	.6%	.5%
Total funding	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The shift in telephone and wireless fee revenue is as a result in those fees being directly paid to the State of Tennessee. As a result, the State Emergency Communications Board provides a higher level of funding to the District.

Operational costs for the E911 Center were \$1,828,143 and \$2,139,799 for the fiscal years ended June 30, 2015 and 2014, respectively. The 14.5% decrease was chiefly the result of a decrease in wages due to retirement of several employees, as well as a decrease in employee benefits.

NET POSITIONS

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	\$ 1,614,525	\$ 1,439,811	\$ 1,368,696
Non-current assets	<u>3,388,684</u>	<u>3,609,943</u>	<u>3,831,264</u>
Total Assets	<u>5,003,209</u>	<u>5,049,754</u>	<u>5,199,960</u>
Deferred Outflows of Resources	<u>109,330</u>	-	-
Current liabilities	194,398	168,150	189,860
Long-term obligations	<u>1,543,492</u>	<u>1,582,839</u>	<u>1,671,291</u>
Total Liabilities	<u>1,737,890</u>	<u>1,750,989</u>	<u>1,861,151</u>
Deferred Inflows of Resources	<u>302,819</u>	-	-
Net Position:			
Net investment in capital assets	1,807,146	1,929,268	2,054,421
Unrestricted	<u>1,264,684</u>	<u>1,369,497</u>	<u>1,284,388</u>
Total Net Position	<u>\$ 3,071,830</u>	<u>\$ 3,298,765</u>	<u>\$ 3,338,809</u>
Total Revenues	\$ 2,039,814	\$ 2,166,599	\$ 2,360,913
Total Expenses	1,890,730	2,206,643	2,107,650
Change in Net Position	<u>\$ 149,084</u>	<u>\$ (40,044)</u>	<u>\$ 253,263</u>

Net position of the District decreased by 6.9% during the current year. The unrestricted portion, the part of the position that can be used to finance day-to-day operations, decreased by 14.3%.

This is as a result in the implementation of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*.

FINANCIAL RATIOS

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 positions 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)	\$1,420,127	\$1,271,661	\$1,178,836
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	8.3	8.6	7.2
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	354	255	246
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets to replace assets in the future	3.0%	(.8%)	4.8%

CAPITAL ASSETS

At the fiscal year ended June 30, 2015, the District had \$3,388,684 invested in net capital assets as outlined below. There were no significant acquisitions during the year ended June 30, 2015.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 21,038	\$ 21,038	\$ 21,038
Buildings	2,630,338	2,706,028	2,781,718
Improvements	23,004	20,342	20,979
Communication equipment	176,648	237,551	300,715
Communication equipment under capital lease	489,300	559,200	629,100
Office furniture and equipment	48,356	56,463	66,924
Vehicle	<u>-</u>	<u>-</u>	<u>874</u>
Totals	<u>\$ 3,388,684</u>	<u>\$ 3,600,622</u>	<u>\$ 3,821,348</u>

DEBT

At the fiscal year end, June 30, 2015 and 2014, the District had outstanding notes payable of \$1,026,628 and \$1,071,564, respectively. Principal repayments in the amount of \$44,936 were made during the current fiscal year. Principal amounts due in the coming fiscal year amount to \$51,219. At the fiscal year end June 30, 2015, the district had an outstanding obligation under a capital lease in the amount of \$542,484. Principal amount paid on the capital lease of \$57,306 was made during the current fiscal year. Principal amount due in the coming fiscal year amounts to \$59,443.

BUDGETS

For the year ended June 30, 2015, the original budget expenditures of \$2,068,292 was increased by \$114,430.

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 4609, Maryville, Tennessee 37802-4609.

Respectively submitted,


Jeff Caylor
Director

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**

Maryville, 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	\$ 1,356,246	\$ 1,080,050
Certificates of Deposit	258,279	258,114
Accounts receivable	-	101,647
Total Current Assets	<u>1,614,525</u>	<u>1,439,811</u>
Non-Current Assets:		
Capital Assets:		
Depreciable capital assets, net of depreciation	3,367,646	3,579,584
Land	21,038	21,038
Deferred loan costs	-	9,321
Total Non-Current Assets	<u>3,388,684</u>	<u>3,609,943</u>
Total Assets	<u>5,003,209</u>	<u>5,049,754</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	<u>109,330</u>	-
LIABILITIES		
Current Liabilities:		
Accounts payable	25,937	3,466
Accrued payroll and related benefits	37,563	39,797
Accrued interest	20,235	22,372
Current portion of long-term obligations	110,663	102,515
Total Current Liabilities	<u>194,398</u>	<u>168,150</u>
Non-Current Liabilities:		
Non-Current portion of long-term obligations	1,458,449	1,568,839
Post-employment benefit obligation	19,700	14,000
Net pension obligation	65,343	-
Total Non-Current Liabilities	<u>1,543,492</u>	<u>1,582,839</u>
Total Liabilities	<u>1,737,890</u>	<u>1,750,989</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	<u>302,819</u>	-
NET POSITION:		
Net investment in capital assets	1,807,146	1,929,268
Unrestricted	1,264,684	1,369,497
Total Net Position	<u>\$ 3,071,830</u>	<u>\$ 3,298,765</u>

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

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**

Maryville, 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	\$ 334,618	\$ 736,186
State Emergency Communications Board:		
Shared Wireless Revenue	115,217	315,078
Operational Funding	172,575	345,150
Distribution of 911 surcharges	<u>697,815</u>	<u>-</u>
Total Operating Revenues	<u>1,320,225</u>	<u>1,396,414</u>
OPERATING EXPENSES:		
Salaries	988,432	1,060,006
Employee benefits	279,584	461,858
Contracted services	185,365	226,038
Supplies and materials	91,291	102,815
Other charges	59,108	61,113
Depreciation	224,363	227,374
Amortization	<u>-</u>	<u>595</u>
Total Operating Expenses	<u>1,828,143</u>	<u>2,139,799</u>
OPERATING INCOME (LOSS)	<u>(507,918)</u>	<u>(743,385)</u>
NON-OPERATING REVENUES (EXPENSES):		
Contributions from local governments	610,364	610,364
State reimbursement	97,806	146,422
Interest income	7,371	6,872
Terminal fees	4,048	6,527
Interest expense	<u>(62,587)</u>	<u>(66,844)</u>
Total Non-Operating Revenues	<u>657,002</u>	<u>703,341</u>
Change in Net Position	149,084	(40,044)
NET POSITION – BEGINNING OF YEAR (2015 Restated)	<u>2,922,746</u>	<u>3,338,809</u>
NET POSITION – END OF YEAR	<u><u>\$ 3,071,830</u></u>	<u><u>\$ 3,298,765</u></u>

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

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, 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	\$ 348,188	\$ 1,054,079
Other Operating Receipts	870,390	345,150
Payments to suppliers	(208,117)	(390,543)
Payments for salaries and fringe benefits	<u>(1,270,250)</u>	<u>(1,521,000)</u>
Net Cash Provided(Used) by Operating Activities	<u>(259,789)</u>	<u>(512,314)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(12,425)	(6,648)
Repayment of debt	(102,242)	(95,573)
Interest paid	<u>(64,724)</u>	<u>(74,940)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(179,391)</u>	<u>(177,161)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Contributions from local governments	610,364	610,364
State Reimbursement	<u>97,806</u>	<u>146,422</u>
Net Cash Provided from Non Capital Financing Activities	<u>708,170</u>	<u>756,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash deposits and certificates of deposit	7,371	6,872
Purchase of Certificates of Deposits	<u>(165)</u>	<u>(245)</u>
Net Cash Provided from Investing Activities	<u>7,206</u>	<u>6,627</u>
Net Change in Cash	276,196	73,938
Cash at Beginning of Year	<u>1,080,050</u>	<u>1,006,112</u>
Cash at End of Year	<u>\$ 1,356,246</u>	<u>\$ 1,080,050</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (507,918)	\$ (743,385)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation and amortization expense	224,363	227,969
Terminal fees	4,048	6,527
Change in assets and liabilities:		
Receivables	101,647	2,815
Prepaid expenses	-	253
Accounts payable	22,471	(7,357)
Accrued expenses	(2,234)	864
Post-employment benefit obligations	5,700	-
Pension deferrals/obligation	<u>(107,866)</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (259,789)</u>	<u>\$ (512,314)</u>

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

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014

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**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014

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**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, 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 Emergency Communications District of Blount County, Tennessee (formerly Blount County Emergency Communications District) (911), a component unit of Blount County, Tennessee, was established by a resolution of the Blount County Board of Commissioners in April, 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987.

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

The purpose of the Emergency Communications District of Blount County, Tennessee (formerly Blount 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.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, 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

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.

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, liabilities (whether current or noncurrent), deferred outflows of resources, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, 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)

Cash and Investments (Continued)

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 capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

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.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, 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)

Equity Classifications

Equity is classified as net position and displayed in two 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 assets, liabilities, deferred outflows of resources, and deferred inflows of resources that do not meet the definition of “restricted” or “invested in capital assets are classified as unrestricted.

Deferred inflows and deferred outflows of resources that are attributable to the acquisition, construction or improvement of capital assets are also included as a component of net investment in capital assets.

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.

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. Prior to January 1, 2015, revenue was collected by telephone service providers and remitted monthly to the District. Rates were \$1.50 for one-party residence lines and \$3.00 for business exchange access service. After that date collections were remitted to the State of Tennessee. The State provided operating funding on a bi-monthly basis. Wireless fees are collected and remitted bi-monthly to the District through the State of Tennessee.

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

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES AND EXPENSES (Continued)

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 District 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.

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. 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.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

H. 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 for pensions provided by the District to its employees. This Statement requires recognition of a liability equal to the net pension liability, 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	\$ 3,298,765
Recognition of pension liability	<u>(376,019)</u>
Restated Net Position, July 1, 2014	<u>\$ 2,922,746</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;
- (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.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – CASH (Continued)

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 July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Accumulated Depreciation</u>	<u>Net Value June 30, 2015</u>
NONDEPRECIABLE:						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
DEPRECIABLE:						
Building	3,027,613	-	-	3,027,613	39,725	2,630,338
Building improvements	21,856	3,313	-	25,169	2,165	23,004
Communication equipment	948,196	6,614	-	954,810	778,162	176,648
Communication equipment under capital lease	699,000	-	-	699,000	209,700	489,300
Office equipment and furniture	204,304	2,499	-	206,803	158,447	48,356
Vehicle	16,486	-	-	16,486	16,486	-
	<u>4,917,455</u>	<u>12,426</u>	<u>-</u>	<u>4,929,881</u>	<u>1,562,235</u>	<u>3,367,646</u>
Totals	<u>\$ 4,938,493</u>	<u>\$ 12,426</u>	<u>\$ -</u>	<u>\$ 4,950,919</u>	<u>\$ 1,562,235</u>	<u>\$ 3,388,684</u>

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION (Continued)

FISCAL YEAR ENDED JUNE 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Accumulated Depreciation	Net Value June 30, 2014
NONDEPRECIABLE:						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
DEPRECIABLE:						
Building	3,027,613	-	-	3,027,613	321,585	2,706,028
Building improvements	21,856	-	-	21,856	1,514	20,342
Communication equipment	941,548	6,648	-	948,196	710,645	237,551
Communication equipment under capital lease	699,000	-	-	699,000	139,800	559,200
Office equipment and furniture	204,304	-	-	204,304	147,841	56,463
Vehicle	16,486	-	-	16,486	16,486	-
	<u>4,910,807</u>	<u>6,648</u>	<u>-</u>	<u>4,917,455</u>	<u>1,337,871</u>	<u>3,579,584</u>
Totals	<u>\$ 4,931,845</u>	<u>\$ 6,648</u>	<u>\$ -</u>	<u>\$ 4,938,493</u>	<u>\$ 1,337,871</u>	<u>\$ 3,600,622</u>

Depreciation expense for the fiscal year ended June 30, 2015 and 2014 amounted to \$224,363 and \$227,374, respectively.

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	June 30, 2015		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Note payable	\$ 51,220	\$ 975,408	\$ 1,026,628
Capital Lease Obligation	<u>59,443</u>	<u>483,041</u>	<u>542,484</u>
	<u>\$ 110,663</u>	<u>\$ 1,458,449</u>	<u>\$ 1,569,112</u>
	June 30, 2014		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Note payable	\$ 45,209	\$ 1,026,355	\$ 1,071,564
Capital Lease Obligation	<u>57,306</u>	<u>542,484</u>	<u>599,790</u>
	<u>\$ 102,515</u>	<u>\$ 1,568,839</u>	<u>\$ 1,671,354</u>

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4 – LONG-TERM OBLIGATIONS (Continued)

A. NOTE PAYABLE

During the fiscal year ended June 30, 2010, the District borrowed funds in the amount of \$1,250,000 to finance the construction of a new communications facility. The note matured July 15, 2014.

On July 15, 2014, the note was modified. The modification reduced the interest rate to 3.95% and extended the maturity date to July 15, 2017. The modification calls for interest only payment of \$3,819 on July 15, 2014, and for monthly payments of \$7,570 beginning August 15, 2014. Debt maturities detailed below are based on the modified loan.

Changes in Notes Payable are as follows:

	Year Ended June 30	
	2015	2014
Beginning Balance	\$ 1,071,564	\$ 1,117,927
Note Proceeds	-	-
Note Repayments	(44,936)	(46,363)
Ending Balance	\$ 1,026,628	\$ 1,071,564

Debt maturities are as follows:

Year Ending June 30,	Total Note Requirements	Principal	Interest
2016	\$ 90,840	\$ 51,220	\$ 39,620
2017	90,840	53,280	37,560
2018	925,163	922,128	3,035
Total	\$ 1,106,843	\$ 1,026,628	\$ 80,215

Total interest incurred during the year ended June 30, 2015 was \$42,259. Total interest incurred during the year ended June 30, 2014 was \$44,471.

B. CAPITAL LEASE PAYABLE

During the fiscal year ended June 30, 2011, Blount County acquired certain emergency communication equipment to be utilized by the County and the Cities of Maryville and Alcoa. Rather than “patching” the district’s emergency communication equipment to interface with the County’s equipment, it was determined that the district would acquire new equipment that was compatible with that used by the county and the cities.

On April 1, 2012, the District entered into a lease agreement to acquire this communication equipment. The district paid \$50,000 down and financed the remaining balance of \$649,000 through a capital lease.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4 – LONG-TERM OBLIGATIONS (Continued)

B. CAPITAL LEASE PAYABLE (Continued)

Changes in the Capital lease are as follows:

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 599,790	\$ 649,000
Lease payments	<u>(57,306)</u>	<u>(49,210)</u>
Ending Balance	<u>\$ 542,484</u>	<u>\$ 599,790</u>

The lease calls for ten (10) equal payments of \$79,678 beginning July 1, 2013. These total minimum lease payments are payable as follows:

<u>Year Ending June 30,</u>	<u>Total Amount</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 79,678	\$ 59,443	\$ 20,235
2017	79,678	61,661	18,017
2018	79,678	63,961	15,717
2019	79,678	66,346	13,332
2020	79,678	68,821	10,857
2021 – 2023	<u>239,034</u>	<u>222,252</u>	<u>16,782</u>
	<u>\$ 637,424</u>	<u>\$ 542,484</u>	<u>\$ 94,940</u>

Interest is accrued monthly on the obligation. Interest expense for the years ended June 30, 2015 and 2014 was \$20,235 and \$22,373, respectively.

NOTE 5 – 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 \$7,044 per month.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – EMPLOYEES' RETIREMENT PLAN

Plan Description:

Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided:

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLA's) 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 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	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>25</u>
	<u>25</u>

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)

Contributions:

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$109,330 based on a rate of 11.26% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state share revenue if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – EMPLOYEES' RETIREMENT PLAN (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 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:

<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%	<u>1%</u>
		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 the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
Balance at June 30, 2013	<u>\$ 4,034,605</u>	<u>\$ 3,548,068</u>	<u>\$ 486,537</u>
Changes for the year:			
Service cost	89,039	-	89,039
Interest	303,386	-	303,386
Differences between expected and actual experience	(53,827)	-	(53,827)
Contributions – employer	-	119,905	(119,905)
Contributions - employees	-	51,952	(51,952)
Net investment income	-	589,007	(589,007)
Benefit payments, including refunds of employee contributions	(156,934)	(156,934)	-
Administrative expense	<u>-</u>	<u>(1,072)</u>	<u>1,072</u>
Net Changes	<u>181,664</u>	<u>602,858</u>	<u>(421,194)</u>
Balance at June 30, 2014	<u>\$ 4,216,269</u>	<u>\$ 4,150,926</u>	<u>\$ 65,343</u>

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

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

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The District's net pension liability (asset)	\$ 668,384	\$ 65,343	\$(434,155)

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

Pension expense:

For the year ended June 30, 2015, The District recognized pension expense of \$1,466.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)

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

Deferred outflows of resources and deferred inflows of resources:

For the year ended June 30, 2015, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 44,856
Net difference between projected and actual earnings on pension plan investments	-	257,963
Contributions subsequent to the measurement date of June 30, 2014	<u>109,330</u>	<u>-</u>
 Total	 <u>\$ 109,330</u>	 <u>\$ 302,819</u>

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

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

Year Ended June 30:	
2016	\$ (73,448)
2017	(73,448)
2018	(73,448)
2019	(73,448)
2020	(9,027)
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, The District reported a payable of \$12,286 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description:

During the fiscal year ended June 30, 2014, the District adopted a plan whereby certain health benefits are provided to the retiree and their dependents. The plan provides health and prescription drug coverage to those employees who retire with thirty (30) or more years of service or if the employee is at least sixty (60) years old with ten (10) years of service. The Plan provides coverage for up to five (5) years and terminates when the employee is eligible for Medicare benefits. The Plan is established under the authority of the Board of Directors of the Emergency Communications District and may be amended at any time. The Plan does not issue a stand-alone financial report.

Funding Policy:

The Plan is funded both by the retiree and the District. The retiree has a required annual contribution rate 50% of the active COBRA premium rate. The rate for eligible dependent coverage is 100%. The remaining costs are incurred by the District and are on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	\$	6,600
Amortization of Actuarial Accrued Liability		7,100
Interest on Net OPEB Obligation		<u>300</u>
Annual OPEB Costs		14,000
Annual Employer Contribution		<u>8,300</u>
Increase in Net OPEB Obligations		5,700
Net OPEB Obligation, July 1, 2014		<u>14,000</u>
Net OPEB Obligation, June 30, 2015	\$	<u><u>19,700</u></u>

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB Obligation are as follows:

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At End of Year
June 30, 2015	\$ 14,000	-%	\$ 19,700

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial valuation date	July 1, 2014
Actuarial accrued liability (AAL)	\$ 120,700
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	120,700
Actuarial value of assets as a % of the AAL	0%
Covered payroll	1,060,006
UAAL as a % of Covered payroll	11.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions:

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized on a 30-year level dollar amortization.

NOTE 8 – 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.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 9 – 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 October 14, 2015, which is the date on which the financial statements were issued.

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
For the Fiscal Year Ended June 30,

	<u>2014</u>
Total pension liability	
Service cost	\$ 89,039
Interest	303,386
Changes in benefit terms	-
Differences between actual & expected experience	(53,827)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(156,934)</u>
Net change in total pension liability	181,664
Total pension liability-beginning	<u>4,034,605</u>
Total pension liability-ending (a)	<u><u>\$ 4,216,269</u></u>
Plan fiduciary net position	
Contributions – employer	\$ 119,905
Contributions – employee	51,952
Net investment income	589,007
Benefit payments, including refunds of employee contributions	(156,934)
Administrative expense	<u>(1,072)</u>
Net change in plan fiduciary net position	602,858
Plan fiduciary net position – beginning	<u>3,548,068</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 4,150,926</u></u>
Net Pension Liability (asset)-ending (a) – (b)	<u><u>\$ 65,343</u></u>
Plan fiduciary net position as a percentage of total pension liability	98.45%
Covered-employee payroll	\$ 1,039,036
Net Pension liability (asset) as a percentage of covered-employee payroll	6.29%

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

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
For the Fiscal Years Ended June 30,

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 119,905	\$ 109,330
Contributions in relation to the actuarially determined contribution	<u>119,905</u>	<u>109,330</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,039,036	\$ 971,096
Contributions as a percentage covered – employee payroll	11.54%	11.26%

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.

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 32-33
For the Fiscal Year Ended June 30, 2015

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

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

**SCHEDULE OF FUNDING PROGRESS FOR
POST-EMPLOYMENT BENEFIT PLAN
For the Fiscal Year Ended June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u> a	<u>Actuarial Accrued Liability (AAL) Entry Age</u> b	<u>Unfunded AAL (UAAL)</u> b-a	<u>Funded Ratio</u> a/b	<u>Actuarial Covered Payroll</u> c	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/c
6/30/14	\$ -	\$120,700	\$120,700	0%	\$1,060,006	11.4%

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee

SUPPLEMENTAL INFORMATION
June 30, 2015

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITIONS – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES:				
Emergency Telephone Service Charge	\$ 365,750	\$ 365,750	\$ 334,618	\$ (31,132)
State Emergency Communications Board – Shared Wireless Revenue	155,000	155,000	115,217	(39,783)
Operating Funding	187,548	187,548	172,575	(14,973)
Distribution of 911 surcharges	<u>697,000</u>	<u>697,000</u>	<u>697,815</u>	<u>815</u>
Total Operating Revenues	<u>1,405,298</u>	<u>1,405,298</u>	<u>1,320,225</u>	<u>(85,073)</u>
OPERATING EXPENSES:				
Salaries and Wages:				
Director/Assistant Director	67,683	95,738	95,738	-
Administrative Personnel	106,393	106,393	104,909	1,484
Dispatchers	652,918	652,918	623,418	29,500
Dispatch Supervisors	120,773	120,773	113,699	7,074
Data Processing Personnel	42,994	43,066	43,066	-
Overtime	<u>10,000</u>	<u>10,000</u>	<u>7,602</u>	<u>2,398</u>
Total Salaries and Wages	<u>1,000,761</u>	<u>1,028,888</u>	<u>988,432</u>	<u>40,456</u>
Employee Benefits:				
Social Security taxes	62,047	62,047	58,968	3,079
Medicare taxes	14,511	14,511	13,791	720
Employee Insurance	290,582	290,921	188,196	102,725
Unemployment compensation taxes	1,200	1,200	696	504
Pension expense	115,488	115,488	1,466	114,022
Other post-employment benefit	<u>20,124</u>	<u>24,767</u>	<u>16,467</u>	<u>8,300</u>
Total Employee Benefits	<u>503,952</u>	<u>508,934</u>	<u>279,584</u>	<u>229,350</u>
Contracted Services:				
Address/Mapping Services	400	400	-	400
Audit Services	8,600	8,600	8,600	-
Accounting Services	4,800	4,800	4,800	-
Contracts with private agencies	8,500	8,500	946	7,554
Janitorial Service	10,835	11,310	11,310	-
Legal Services	500	1,667	1,667	-
NCIC/TBI/TIES Services	2,224	2,240	2,240	-
Service Providers	68,688	68,688	68,688	-
Pest Control	800	800	776	24
Radio Consoles	35,400	35,997	35,997	-

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

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITIONS – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Lawn Maintenance	5,100	6,242	6,242	-
Maintenance Agreements	31,000	31,000	21,270	9,730
Contracted Services (Continued):				
Building Maintenance/Repairs	6,000	20,737	20,737	-
Language Line	350	483	483	-
Vehicle	<u>2,500</u>	<u>2,558</u>	<u>1,609</u>	<u>949</u>
Total Contracted Services	<u>185,697</u>	<u>204,022</u>	<u>185,365</u>	<u>18,657</u>
Supplies and Materials:				
Postage, Printing and Copies	500	701	701	-
Office Supplies and Expenses	26,000	28,212	28,212	-
Electric	41,000	41,000	38,505	2,495
Propane gas	2,500	3,254	3,254	-
Water	2,000	2,000	1,718	282
Cell Phones and Pagers	4,200	4,200	2,926	1,274
Telephone	18,000	18,000	14,776	3,224
Water service	<u>1,000</u>	<u>1,199</u>	<u>1,199</u>	<u>-</u>
Total Supplies and Materials	<u>95,200</u>	<u>98,566</u>	<u>91,291</u>	<u>7,275</u>
Other Charges:				
Dues and Memberships	3,000	3,000	1,705	1,295
Travel and Training Expense	9,800	9,800	7,156	2,644
Employee Testing	350	1,181	1,181	-
Service Awards	750	750	710	40
Internet	18,350	18,528	18,528	-
Liability Insurance	14,000	15,712	15,712	-
Commercial Property Insurance	8,500	9,434	9,434	-
Workmen's Compensation				
Insurance	3,500	3,500	3,269	231
Surety Bonds	<u>1,500</u>	<u>1,500</u>	<u>1,413</u>	<u>87</u>
Total Other Charges	<u>59,750</u>	<u>63,405</u>	<u>59,108</u>	<u>4,297</u>
Depreciation	<u>222,932</u>	<u>224,364</u>	<u>224,363</u>	<u>1</u>
TOTAL OPERATING EXPENSES	<u>2,068,292</u>	<u>2,128,179</u>	<u>1,828,143</u>	<u>300,036</u>
OPERATING INCOME (LOSS)	<u>(662,994)</u>	<u>(722,881)</u>	<u>(507,918)</u>	<u>214,963</u>

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

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITIONS – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Non-operating Revenues (Expenses):				
Contributions from Primary				
Governments:				
Blount County, Tennessee	302,133	302,133	302,132	(1)
City of Maryville, Tennessee	151,066	151,066	151,064	(2)
City of Maryville, Tennessee	151,066	151,066	151,064	(2)
City of Townsend, Tennessee	6,104	6,104	6,104	-
State Emergency Communications				
Board Grant	82,848	82,848	97,806	14,958
Interest Income	10,000	10,000	7,371	(2,629)
Terminal Fees	6,000	6,000	4,048	(1,952)
Interest expense	<u>(63,755)</u>	<u>(62,588)</u>	<u>(62,587)</u>	<u>1</u>
Total Non-operating Revenues (Expenses)	<u>645,462</u>	<u>646,629</u>	<u>657,002</u>	<u>10,373</u>
CHANGE IN NET POSITION	(17,532)	(76,252)	149,084	225,336
NET POSITION – BEGINNING OF YEAR (Restated)	<u>2,922,746</u>	<u>2,922,746</u>	<u>2,922,746</u>	<u>-</u>
NET POSITION – END OF YEAR	<u>\$2,905,214</u>	<u>\$2,846,494</u>	<u>\$3,071,830</u>	<u>\$ 225,336</u>

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

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, 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	3-31-14 to 3-31-15	Commercial Property Coverage: Building and Contents - \$2,602,500, \$1,000 Deductible; Other – Tower and 911 System - \$48,000, \$1,000 Deductible

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF CHANGES IN CAPITAL ASSETS
June 30, 2015

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>	<u>Accumulated Depreciation</u>	<u>Net Value June 30, 2015</u>
NONDEPRECIABLE:						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
DEPRECIABLE:						
Building	3,027,613	-	-	3,027,613	397,275	2,630,338
Building improvements	21,856	3,313	-	25,169	2,165	23,004
Communication equipment	948,196	6,614	-	954,810	778,162	176,648
Communication equipment under capital lease	699,000	-	-	699,000	209,700	489,300
Office equipment and furniture	204,304	2,499	-	206,803	158,447	48,356
Vehicle	16,486	-	-	16,486	16,486	-
	<u>4,917,455</u>	<u>12,426</u>	<u>-</u>	<u>4,929,881</u>	<u>1,562,235</u>	<u>3,367,646</u>
Totals	<u>\$ 4,938,493</u>	<u>\$ 12,426</u>	<u>\$ -</u>	<u>\$ 4,950,919</u>	<u>\$ 1,562,235</u>	<u>\$ 3,388,684</u>

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF 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	\$ -	\$ 10,000	\$ 10,000	\$ -
GIS Mapping Maintenance Grant	Z-03-016915	Tennessee Emergency Communications Board	-	5,000	5,000	-
GIS Tips Grant		Tennessee Emergency Communications Board	<u>-</u>	<u>82,806</u>	<u>82,806</u>	<u>-</u>
Totals			<u>\$ -</u>	<u>\$ 97,806</u>	<u>\$ 97,806</u>	<u>\$ -</u>

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee

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*

June 30, 2015



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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
Emergency Communications District
of Blount County, Tennessee
Maryville, 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 Emergency Communications District of Blount County, Tennessee, 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 Blount County, Tennessee's basic financial statements, and have issued our report thereon dated October 14, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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

October 14, 2015