

*Financial Statements*

GREENEVILLE-GREENE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2015

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Greenville-Greene County Emergency Communications District  
Greenville, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Greenville-Greene County Emergency Communications District, a component unit of Greene County, Tennessee, which comprise the statement of net position as of June 30, 2015, and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

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

### ***Emphasis of Matter***

As discussed in Note E to the financial statements, Greeneville-Greene County Emergency Communications District has restated its net position as of June 30, 2014 to implement Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6, the schedule of changes in net pension liability(asset) on page 24, the schedule of pension contributions on page 25, and the notes to pension contributions on page 26 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Greeneville-Greene County Emergency Communications District's financial statements. The statement of revenue and expenses – actual and budget as well as the schedule of the board of directors are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of revenue and expenses – actual and budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenue and expenses – actual and budget is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of the board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016 on our consideration of Greeneville-Greene County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greeneville-Greene County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

January 13, 2016

**GREENEVILLE-GREENE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

111 UNION STREET  
GREENEVILLE, TN 37743  
PHONE (423) 638-8663 FAX (423) 638-9166

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

As management of Greeneville-Greene County Emergency Communications District (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the District’s performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the District’s financial statements, as listed in the table of contents.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management’s discussion and analysis report, the independent accountants’ audit report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of net position includes all of the District’s assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District’s creditors (liabilities).

All of the current year’s revenue and expenses are accounted for in the statement of revenue, expenses and change in net position. This statement measures the success of the District’s operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

**FINANCIAL ANALYSIS OF THE DISTRICT**

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 revenue, expenses and change in net position report information about the District’s activities in a way that will help answer this question. The two statements report the net position of the District and the change in it. One can think of the District’s net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District’s net position is one indicator of whether its financial health is improving or deteriorating. A summary of the District’s net position and change in it is presented below.

## **SUMMARIZED FINANCIAL INFORMATION**

	<u>2015</u>	<u>2014</u>
<b>NET POSITION</b>		
Current assets	\$ 996,437	\$ 907,292
Capital assets	294,564	346,998
Deferred outflow of resources	<u>38,497</u>	<u>0</u>
	<u>\$ 1,329,498</u>	<u>\$ 1,254,290</u>
Current liabilities	\$ 36,930	\$ 26,914
Noncurrent liabilities	20,025	
Deferred inflow of resources	70,932	0
Net position:		
Investment in capital assets	294,564	346,998
Unrestricted	<u>907,047</u>	<u>880,378</u>
Total net position	<u>1,201,610</u>	<u>1,227,376</u>
	<u>\$ 1,329,498</u>	<u>\$ 1,254,290</u>
<b>CHANGE IN NET POSITION</b>		
Operating revenue	\$ 738,581	\$ 806,856
Operating expenses	<u>849,599</u>	<u>839,962</u>
(Loss) from operations	(111,018)	(33,106)
Nonoperating income	<u>171,867</u>	<u>169,168</u>
Change in net position	60,849	136,062
Beginning net position	1,140,761	1,091,314
Prior period adjustment	<u>0</u>	<u>(86,615)</u>
Ending net position	<u>\$ 1,201,610</u>	<u>\$ 1,140,761</u>

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The District completed the year ended June 30, 2015 with net position of \$1,201,610, which is \$60,849 more than last year's ending net position of \$1,140,761, an increase of 5% compared to last year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$113,284 or 14% during the year ended June 30, 2015. The difference in the current year's change in net position compared to last year's change in net position was due primarily to a decreased funding from the Tennessee Emergency Communications Board and increased maintenance agreement expenses.

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

	<u>2015</u>	<u>2014</u>
Emergency telephone service charges	\$ 169,159	\$ 362,045
TECB - shared wireless charge	86,223	195,733
TECB - operational funding	94,458	248,644
TECB - base amount distributions	356,751	0
TECB - other grants and reimbursements	31,238	0
Contributions from primary and other governments	<u>160,000</u>	<u>160,000</u>
	<u>\$ 897,829</u>	<u>\$ 966,422</u>

Total operational costs for the District were \$849,599 for the year ended June 30, 2015, an increase of less than 1% compared to last year. This increase was mainly due to increased maintenance agreement expense.

**CAPITAL ASSETS**

At June 30, 2015, the District had investment in capital assets of \$294,564, a decrease of \$52,434 or 15% compared to the prior year. This change was a result of the purchase of capital assets totaling \$8,096 and depreciation expense of \$60,530. Additional information on capital assets can be found in Note D.

**BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns and the final amended budget did not vary significantly from the original budget. Actual revenue fell short of budgeted revenue by \$109,082, mainly due to decreased funding from the Tennessee Emergency Communications Board. Actual expenses were less than budgeted expenses by \$162,090 due to decreased expenses across the board.

**ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing the District is the change in funding from the TECB. Beginning in January 2015, TECB began collecting all amounts due to the emergency communication districts and sending each district a check every two months for one sixth of their predetermined base amount. TECB will also no longer be distributing grants to emergency communications districts. This could result in decreased revenue compared to prior years.

**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 to the money it receives. If you have any questions about this report or need additional financial information, please contact Jerry Bird, Director of the Greeneville-Greene County Emergency Communications District, 111 Union Street, Greeneville, TN 37743.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF NET POSITION**

June 30, 2015

**CURRENT ASSETS**

Cash		\$ 937,748
Accounts receivable		13,333
Prepaid expenses		<u>45,355</u>
		996,437

**CAPITAL ASSETS**

Furniture and fixtures	\$ 11,569	
Computer equipment	14,812	
Communications equipment	598,479	
Vehicles	41,950	
Mapping	47,377	
Leasehold improvements	<u>28,347</u>	
	742,534	
Accumulated depreciation and amortization	<u>(447,970)</u>	294,564

**DEFERRED OUTFLOW OF RESOURCES**

Deferred outflow related to pensions		<u>38,497</u>
		<u>\$ 1,329,498</u>

See the accompanying notes to the financial statements.

**CURRENT LIABILITIES**

Accounts payable	\$	8,169	
Wages payable		6,168	
Accumulated compensated absences		<u>22,594</u>	
			<u>36,930</u>

**NONCURRENT LIABILITIES**

Net pension liability			20,025
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**DEFERRED INFLOW OF RESOURCES**

Deferred inflow related to pensions			70,932
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**NET POSITION**

Investment in capital assets	\$	294,564	
Unrestricted		<u>907,047</u>	<u>1,201,610</u>

\$ 1,329,498

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

Year Ended June 30, 2015

**OPERATING REVENUE**

Emergency telephone service charges		\$ 169,159
TECB - shared wireless charge		86,223
TECB - operational funding		94,458
TECB - base amount distributions		356,751
TECB - other grants and reimbursements		31,238
Other operating revenue		<u>754</u>

**TOTAL OPERATING REVENUE** 738,581

**OPERATING EXPENSES**

Salaries and wages:		
Director	\$ 50,201	
Administrative personnel	40,809	
Dispatchers	263,390	
Part-time personnel	32,879	
Training	36,150	
Overtime	14,419	
Bonuses	<u>1,500</u>	439,348
Employee benefits:		
Payroll taxes	31,950	
Medical insurance	135,108	
Retirement	4,342	
Life insurance	<u>428</u>	171,828
Contracted services:		
Auditing services	6,600	
Maintenance agreements	47,058	
Lease/Rental - communications equipment	80,440	
Maintenance and repairs - communications equipment	232	
Maintenance and repairs - buildings and facilities	291	
Maintenance and repairs - vehicles	396	
Fuel-vehicles	<u>898</u>	135,916

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

(continued)

Year Ended June 30, 2015

Supplies and materials:		
Office supplies	1,690	
Custodial supplies	258	
Data processing supplies	254	
Postage	71	
Uniforms	347	
Utilities - electric	10,362	
Utilities - water and sewer	771	
Utilities - general telephone	9,442	
Utilities - cell phone	<u>705</u>	23,902
Other charges:		
Dues and memberships	1,889	
Training	1,702	
Insurance - liability	11,116	
Premiums on surety bonds	1,003	
Internet service	719	
Public education	973	
Miscellaneous	<u>673</u>	18,075
Depreciation		<u>60,530</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>849,599</u>
<b>(LOSS) FROM OPERATIONS</b>		(111,018)

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

(continued)

Year Ended June 30, 2015

**NONOPERATING REVENUE**

Contributions from primary government	120,000	
Contributions from other government	40,000	
Reimbursements	10,556	
Sale of surplus equipment	217	
Interest income	<u>1,094</u>	<u>171,867</u>

**CHANGE IN NET POSITION**

60,849

**NET POSITION AT THE BEGINNING OF THE YEAR,**

as restated

1,140,761

**NET POSITION AT THE END OF THE YEAR**

\$ 1,201,610

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2015

**CASH PROVIDED(USED) BY OPERATING ACTIVITIES**

Cash received from telephone charges	\$ 785,539
Cash paid to suppliers	(376,783)
Cash paid to employees	<u>(439,348)</u>

**NET CASH (USED) BY OPERATING ACTIVITIES** (30,592)

**CASH PROVIDED(USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (8,096)
Sale of surplus equipment	<u>217</u>

**NET CASH (USED) BY CAPITAL  
AND RELATED FINANCING ACTIVITIES** (7,879)

**CASH PROVIDED(USED) BY NONCAPITAL AND  
RELATED FINANCING ACTIVITIES**

Contributions from primary government	120,000
Contributions from other government	40,000
Reimbursements	<u>10,556</u>

**NET CASH PROVIDED BY NONCAPITAL  
AND RELATED FINANCING ACTIVITIES** 170,556

**CASH PROVIDED(USED) BY INVESTING ACTIVITIES**

Interest received	<u>1,094</u>
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**NET INCREASE IN CASH** 133,179

**CASH AT THE BEGINNING OF THE YEAR** 804,569

**CASH AT THE END OF THE YEAR** \$ 937,748

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2015

**RECONCILIATION OF (LOSS) FROM  
OPERATIONS TO NET CASH PROVIDED(USED)  
BY OPERATING ACTIVITIES**

(Loss) from operations		\$ (111,018)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 60,530	
Pension expense	4,342	
(Increase)decrease in:		
Accounts receivable	17,121	
Due from TECB	29,837	
Deferred outflow related to pensions	(38,497)	
Prepaid expenses	(2,923)	
Increase in:		
Accounts payable	3,752	
Accumulated compensated absences	<u>6,264</u>	<u>80,426</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		<b><u><u>\$ (30,592)</u></u></b>

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2015

**NOTE A - DESCRIPTION OF ORGANIZATION**

Greenville-Greene County Emergency Communications District (the District) was established on November 8, 1988, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for furnishing local emergency telephone service and a primary emergency telephone number for the residents of Greene County, Tennessee. The District is governed by a nine-member Board of Directors appointed by the county commissioners of Greene County, Tennessee. The Board of Directors has the authority to levy an emergency telephone service charge to be used to fund the operations of the District. The District began collecting telephone user fees in May 1989, and began operations during the year ended June 30, 1990.

The District is considered a component unit of Greene County, Tennessee because the Greene County mayor appoints, and the Greene County commissioners affirm, the District's Board of Directors and must approve most debt issued by the District.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

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

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2015 has been calculated as follows:

Capital assets	\$ 742,534
Accumulated depreciation	<u>(447,970)</u>
	<u>\$ 294,564</u>

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. The District had no restricted net position as of June 30, 2015.

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "investment in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2015, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of \$250 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to twenty-five years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Compensated Absences

District employees are granted vacation and sick leave in varying amounts and may accumulate sick leave indefinitely, which may then be used for early retirement. The District's policies do not provide for an employee to be paid for any unused sick leave in the event of termination. Vacation leave may be accumulated up to 160 hours. Any hours over 160 will be transferred to the employee's sick leave account. Employees may receive payment for unused vacation leave, up to the 160 hour maximum, upon termination or resignation. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. No liability is recorded for accumulated sick leave.

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.

**NOTE C - CASH**

Cash represents money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All of the District's cash and cash equivalent balances at June 30, 2015 were either insured through the Federal Deposit Insurance Corporation, through the State of Tennessee Bank Collateral Pool or collateralized with securities held by the District's agent in the District's name.

**NOTE D - CAPITAL ASSETS**

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

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
<u>Capital assets being depreciated</u>				
Furniture and fixtures	\$ 11,569	\$ 0	\$ 0	\$ 11,569
Office equipment	14,812	0	0	14,812
Communications equipment	590,383	8,096	0	598,479
Vehicles	41,950	0	0	41,950
Mapping	47,377	0	0	47,377
Leasehold improvements	<u>28,347</u>	<u>0</u>	<u>0</u>	<u>28,347</u>
	734,438	8,096	0	742,534
<u>Accumulated depreciation</u>				
Furniture and fixtures	(9,442)	(987)	0	(10,428)
Office equipment	(14,812)	(0)	0	(14,812)
Communications equipment	(300,954)	(53,547)	0	(354,501)
Vehicles	(38,950)	(0)	0	(38,950)
Mapping	(14,733)	(4,738)	0	(19,470)
Leasehold improvements	<u>(8,549)</u>	<u>(1,259)</u>	<u>0</u>	<u>(9,808)</u>
	<u>(387,440)</u>	<u>(60,530)</u>	<u>0</u>	<u>(447,970)</u>
	<u>\$ 346,998</u>	<u>\$ (52,434)</u>	<u>\$ 0</u>	<u>\$ 294,564</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE E - PENSION PLAN**

Plan Description

Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://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% 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 to the 2<sup>nd</sup> 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

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	7
Active employee	<u>10</u>
	<u>20</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% 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 \$38,497 based on a rate of 8.98%. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required 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)

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

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of assets 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 rate of return by the target asset allocation percentage and by adding inflation of 3%. 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%
		<u>100%</u>

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

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Discount Rate

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Changes for the year ended June 30, 2014:			
Increase(decrease)			
Service cost	\$ 30,099	\$ 0	\$ 30,099
Interest	71,407	0	71,407
Differences between expected and actual experience	(12,759)	0	(12,759)
Contributions - employer	0	36,910	(36,910)
Contributions - employees	0	18,774	(18,774)
Net investment income	0	136,954	(136,954)
Benefit payments, including refunds of employee contributions	(32,175)	(32,175)	0
Administrative expense	<u>0</u>	<u>(391)</u>	<u>391</u>
Net changes for the year ended June 30, 2014	56,572	160,072	(103,500)
Balance at June 30, 2013	<u>938,089</u>	<u>814,564</u>	<u>123,525</u>
Balance at June 30, 2014	<u>\$ 994,661</u>	<u>\$ 974,636</u>	<u>\$ 20,025</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

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%, 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%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Net pension liability(asset)	\$ 196,487	\$ 20,025	\$ (122,205)

Pension Expense

For the year ended June 30, 2015, the District recognized pension expense in the amount of \$4,342.

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	\$ 0	\$ 10,936
Net difference between projected and actual earnings on pension plan investments	0	59,996
Contributions subsequent to the measurement date of June 30, 2014	<u>38,497</u>	<u>(not applicable)</u>
Total	<u>\$ 38,497</u>	<u>\$ 70,932</u>

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

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Other 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	\$ (16,822)
2017	(16,822)
2018	(16,822)
2019	(16,822)
2020	(1,823)
Thereafter	(1,823)

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 \$6,190 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**NOTE F - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE G – RESTATEMENT**

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as an asset or liability and to more comprehensively and comparably measure the annual costs of pension benefits. Net position as of June 30, 2014 has been restated for the implementation of GASB Statement No. 68. As a result, the effect on the year ended June 30, 2014 was as follows:

Balance at June 30, 2014, as originally reported	\$ 1,227,376
Net pension liability, measurement date as of July 30, 2014	(123,525)
Deferred outflows for contributions made during the year ended June 30, 2014	<u>36,910</u>
Balance at June 30, 2014, restated	<u>\$ 1,140,761</u>

REQUIRED SUPPLEMENTARY INFORMATION

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**CHANGES IN NET PENSION LIABILITY(ASSET)**

June 30, 2015

	Measurement Date at <u>June 30, 2014</u>
<u>Total pension liability</u>	
Service cost	\$ 30,099
Interest	71,407
Change in benefit terms	0
Differences between actual and expected experience	(12,759)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(32,175)</u>
Net change in total pension liability	56,572
Total pension liability-beginning July 1, 2013	<u>938,089</u>
Total pension liability-ending June 30, 2014 (a)	<u>\$ 994,661</u>
<u>Plan fiduciary net position</u>	
Contributions-employer	\$ 36,910
Contributions-employee	18,774
Net investment income	136,954
Benefit payments, including refunds of employee contributions	(32,175)
Administrative expense	<u>(391)</u>
Net change in plan fiduciary net position	160,072
Plan fiduciary net position-beginning July 1, 2013	<u>814,564</u>
Plan fiduciary net position-ending June 30, 2014 (b)	<u>974,636</u>
Net pension liability (asset)-ending (a)-(b)	<u>\$ 20,025</u>
Plan fiduciary net position as a percentage of total net pension liability	97.99%
Covered employee payroll	\$ 375,482
Net pension liability(asset) as a percentage of covered employee payroll	5.33%

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

See the accompanying independent accountants' audit report.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**PENSION CONTRIBUTIONS**

June 30, 2015

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 38,497	\$ 36,910
Contributions in relation to the actuarially determined contribution	<u>(38,497)</u>	<u>(36,910)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 428,873	\$ 375,482
Contributions as a percentage of covered employee payroll	8.98%	9.83%

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 the future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO PENSION CONTRIBUTIONS**

June 30, 2015

Valuation Date

Actuarially determined contribution rates for the year ended June 30, 2015 were calculated based on the July 1, 2013 actuarial valuation.

Actuarial Cost Method	Frozen initial liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	13 years
Asset Valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.50%, 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%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

Year Ended June 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 169,159	\$ 370,000	\$ (200,841)
TECB - shared wireless charge	86,223	165,000	(78,777)
TECB - operational funding	94,458	315,000	(220,542)
TECB - base amount distributions	356,751	0	356,751
TECB - other grants and reimbursements	31,238	0	31,238
Other operating revenue	<u>754</u>	<u>100</u>	<u>654</u>
<b>TOTAL OPERATING REVENUE</b>	<b>738,581</b>	<b>850,100</b>	<b>(111,519)</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	50,201	50,482	(281)
Administrative personnel	40,809	55,735	(14,926)
Dispatchers	263,390	261,286	2,104
Part-time personnel	32,879	41,512	(8,633)
Training	36,150	51,249	(15,099)
Overtime	14,419	22,500	(8,081)
Bonuses	<u>1,500</u>	<u>1,500</u>	<u>0</u>
	439,348	484,264	(44,916)
Employee benefits:			
Payroll taxes	31,950	35,300	(3,350)
Medical insurance	135,108	135,170	(62)
Life insurance	428	435	(7)
Retirement	<u>4,342</u>	<u>42,000</u>	<u>(37,658)</u>
	171,828	212,905	(41,077)
Contracted services:			
Audit services	6,600	6,700	(100)
Legal services	0	3,000	(3,000)
Fees paid to service providers	0	100	(100)
Maintenance agreements	47,058	60,965	(13,907)
Lease/Rental - communications equipme	80,440	87,885	(7,445)

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Contracted services(continued):			
Maintenance and repairs - communications equipment	232	3,805	(3,573)
Maintenance and repairs - buildings and facilities	291	5,000	(4,709)
Maintenance and repairs - office equipment	0	965	(965)
Maintenance and repairs - vehicles	396	1,600	(1,204)
Fuel-vehicles	898	2,000	(1,102)
	<u>135,916</u>	<u>172,020</u>	<u>(36,104)</u>
Supplies and materials:			
Office supplies	1,690	2,800	(1,110)
Custodial supplies	258	1,100	(842)
Data processing supplies	254	2,500	(2,246)
Postage	71	300	(229)
Small equipment purchases	0	1,000	(1,000)
Uniforms	347	1,500	(1,153)
Utilities - electric	10,362	14,000	(3,638)
Utilities - water and sewer	771	820	(49)
Utilities - general telephone	9,442	9,760	(318)
Utilities - cell phone	705	1,100	(395)
	<u>23,902</u>	<u>34,880</u>	<u>(10,979)</u>
Other charges:			
Dues and memberships	1,889	1,900	(11)
Training	1,702	12,000	(10,298)
Insurance - liability	11,116	12,300	(1,184)
Premiums on surety bonds	1,003	1,010	(7)
Travel	0	3,000	(3,000)
Internet service	719	720	(1)
Public education	973	1,500	(527)
Miscellaneous	673	1,600	(927)
	<u>18,075</u>	<u>34,030</u>	<u>(15,955)</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Depreciation	60,530	73,590	(13,060)
<b>TOTAL OPERATING EXPENSES</b>	<u>849,599</u>	<u>1,011,689</u>	<u>(162,090)</u>
<b>(LOSS) FROM OPERATIONS</b>	(111,018)	(161,589)	50,571
<b>NONOPERATING REVENUE</b>			
Contributions from primary government	120,000	120,000	0
Contributions from other government	40,000	40,000	0
Sale of surplus equipment	217	0	217
Reimbursements	10,556	7,730	2,826
Interest income	1,094	1,700	(606)
	<u>171,867</u>	<u>169,430</u>	<u>2,437</u>
<b>CHANGE IN NET POSITION</b>	60,849	7,841	53,008
<b>NET POSITION AT THE BEGINNING OF THE YEAR, as restated</b>	<u>1,140,761</u>	<u>1,140,761</u>	<u>0</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u><u>\$ 1,201,610</u></u>	<u><u>\$ 1,148,601</u></u>	<u><u>\$ 53,008</u></u>

See the accompanying independent accountants' audit report.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2015

William Holt  
LeRoy Tipton Jr.  
Ray Adams  
Mark Foulks  
Terry Cannon  
Ryan Holt  
Josh Kesterson  
Bill Brown

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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  
Greenville-Greene County Emergency Communications District  
Greenville, 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 of America, the financial statements of Greenville-Greene County Emergency Communications District, which comprise the statement of net position as of June 30, 2015, and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended and the related notes to the 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 Greenville-Greene County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greenville-Greene County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Greenville-Greene County Emergency Communications District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Greenville-Greene County Emergency Communications District'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 Greeneville-Greene County Emergency Communications 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 *Government Auditing Standards*.

We noted certain other matters that we have reported to management of Greeneville-Greene County Emergency Communications District in a separate letter dated January 13, 2016.

## **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 Greeneville-Greene County Emergency Communications District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greeneville-Greene County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

January 13, 2016

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

June 30, 2015

There were no prior year findings reported.