Financial Statements

SEVIER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2015

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MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Sevier County Emergency Communications District
Sevierville, Tennessee

Report on the Financial Statements

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

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.

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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sevier County Emergency Communications District as of June 30, 2015 and the change in its financial position and its cash flow 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 G to the financial statements, Sevier County Emergency Communications District has restated its net position as of June 30, 2014 to implement GASB 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 26 and the schedule of pension contributions on page 27 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 Sevier 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 October 7, 2015 on our consideration of Sevier 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 Sevier County Emergency Communications District's internal control over financial reporting and compliance.

Mitchell Emert & Hill

October 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Sevier 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 changes 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 are 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:

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SUMMARIZED FINANCIAL INFORMATION

	2015	2014
NET POSITION		
Current assets	$ 2,026,054	$ 1,905,077
Capital assets, net of accumulated depreciation	1,182,332	1,354,834
Other assets	89,333	4,708
Deferred outflow of resources	14,449	0
	$ 3,312,167	$ 3,264,619
Current liabilities	$ 5,078	$ 8,974
Other liabilities	0	0
Deferred inflow of resources	75,640	0
Net position:		
Investment in capital assets	1,182,332	1,354,834
Restricted	13,693	4,708
Unrestricted	2,035,424	1,896,103
	3,231,449	3,255,645
	$ 3,312,167	$ 3,264,619
CHANGE IN NET POSITION		
Operating revenue	$ 977,303	$ 992,168
Operating expenses	1,013,960	1,047,841
(LOSS) FROM OPERATIONS	(36,658)	(55,673)
Net nonoperating revenue	12,461	281,508
CHANGE IN NET POSITION	(24,196)	225,834
NET POSITION AT THE BEGINNING OF THE YEAR, as restated	3,255,645	3,029,810
NET POSITION AT THE END OF THE YEAR	$ 3,231,449	$ 3,255,645

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

At June 30, 2015 the District's ending net position was $3,231,449, which is $24,196 less than the prior year's ending net position, a decrease of less than 1%. Unrestricted net position increased by $139,321 or 4% during the year ended June 30, 2015. TECB changed the formula for contributions effective January 1, 2015 which resulted in decreased contributions and decreased total net position as compared to the prior year.

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

	2015
Emergency telephone service charges	$ 121,522
TECB - shared wireless charge	84,195
TECB - operational funding program	241,647
TECB - base amount distributions	509,859
TECB - other grants and reimbursements	20,000

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those expenses. As conditions change during the year, the budget may be amended to prevent budget overruns. Operating revenue decreased as compared to the year ended June 30, 2014 and was $27,997 less than budgeted revenue. (Loss) from operations decreased as compared to the June 30, 2014 and was $8,797 less than the budgeted amount. Actual expenses were $27,305 less than the budgeted amount.

CAPITAL ASSETS

At June 30, 2015 the District had $1,182,332 invested in capital assets, net of accumulated depreciation, a decrease of $172,502 or 5% from the prior year. This change during the year ended June 30, 2015 was a result of an increase in furniture, equipment and construction in process of $46,714 and depreciation expense of $219,217. Additional information on capital assets can be found in Note D.

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 for the money it receives. If you have any question or need additional information, please contact David Rauhuff, District Coordinator of the Sevier County Emergency Communications District, 245 Bruce Street, Sevierville, TN 37862.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

CURRENT ASSETS		
Cash		$ 700,387
Certificates of deposit		1,258,324
Prepaid expenses		67,343
TOTAL CURRENT ASSETS		2,026,054
CAPITAL ASSETS		
Construction in progress	$ 448,525	
Building and improvements	699,961	
Furniture and fixtures	94,696	
Equipment	1,960,601	
Vehicles	49,438	
	3,253,220	
Accumulated depreciation	(2,070,888)	1,182,332
OTHER ASSETS		
Net pension asset		89,333
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow related to pensions		14,449
		$ 3,312,167

See the accompanying notes to the financial statements.

CURRENT LIABILITIES		
Compensated absences payable		$ 5,078
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pensions		75,640
NET POSITION		
Investment in capital assets	$ 1,182,332	
Restricted	13,693	
Unrestricted	2,035,424	3,231,449
		$ 3,312,167

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2015

OPERATING REVENUE		
Emergency telephone service charges		$ 121,522
TECB - shared wireless charge		84,195
TECB - operational funding		241,647
TECB - base amount distributions		509,859
TECB - other grants and reimbursements		20,000
Other operating revenue		79
TOTAL OPERATING REVENUE		977,303
OPERATING EXPENSES		
Salaries and wages:		
Director	$ 53,523	
Administrative personnel	98,726	152,249
Employee benefits:		
Payroll taxes	11,201	
Medical insurance	37,825	49,026
Contracted services:		
Addressing/mapping	5,000	
Advertising	836	
Auditing services	8,000	
Contracts with government agencies	200,000	
Fees paid to service providers	51,330	
Maintenance agreements	193,243	
Janitorial services	7,600	
Mapping/Data base consultants	19,783	
Maintenance and repairs - communications equipment	713	
Maintenance and repairs - buildings and facilities	7,339	
Fuel - vehicles	2,034	495,878

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
(continued)

Year Ended June 30, 2015

Supplies and materials:		
Office supplies	2,525	
Postage	62	
Small equipment purchases	942	
Utilities - electric	22,828	
Utilities - water and sewer	438	
Utilities - general telephone	34,661	
Utilities - cell phone	301	61,757
Other charges:		
Board meeting expenses	2,545	
Dues and memberships	903	
Internet service	2,743	
Insurance	21,928	
Licenses and fees	3,200	
Premiums on surety bonds	900	
Public education	3,616	35,834
Depreciation		219,217
TOTAL OPERATING EXPENSES		1,013,960
(LOSS) FROM OPERATIONS		(36,658)

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
(continued)

Year Ended June 30, 2015

NONOPERATING REVENUE	
Interest income	3,476
Pension income	8,985
	12,461
CHANGE IN NET POSITION	(24,196)
NET POSITION AT THE BEGINNING OF THE YEAR, as restated	3,255,645
NET POSITION AT THE END OF THE YEAR	$ 3,231,449

See the accompanying notes to the financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges		$ 1,003,443
Cash paid to suppliers		(623,300)
Cash paid to employees		(152,249)
NET CASH PROVIDED BY OPERATING ACTIVITIES		227,894
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(46,714)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
(Increase) in investments	$ (2,817)	
Interest received	3,476	
NET CASH PROVIDED BY INVESTING ACTIVITIES		659
NET INCREASE IN CASH		181,840
CASH AT THE BEGINNING OF THE YEAR		518,547
CASH AT THE END OF THE YEAR		$ 700,387

SEVIER 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		$ (36,658)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	$ 219,217	
(Increase)decrease in:		
Accounts receivable	26,140	
Due from TECB	38,965	
Deferred outflow related to pensions	(14,449)	
Prepaid expenses	(1,425)	
Increase(decrease) in:		
Accounts payable	(3,896)	264,552
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 227,894

See the accompanying notes to the financial statements.

NOTE A - DESCRIPTION OF ORGANIZATION

Sevier County Emergency Communications District (the District) was established in February 1987, 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 Sevier County, Tennessee. The District is governed by a nine-member Board of Directors appointed by the Mayor and County Commissioners of Sevier 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 is considered a component unit of Sevier County, Tennessee because the Sevier County mayor appoints, and the Sevier 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

The District's financial statements are reported using the economic resources measurement focus and 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 present increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenue is revenue that is generated from the primary operations of the District. All other 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:

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	$ 3,253,220
Accumulated depreciation	(2,070,888)
	$ 1,182,332

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. The District had restricted net position of $13,693 as of June 30, 2015.

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and that do 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 allowances for uncollectible accounts were considered necessary.

Capital Assets

Capital assets, which includes property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of $100 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to forty 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.

Compensated Absences

The District's employees are granted vacation leave in varying amounts based on years of employment and eight hours of sick leave monthly. Vacation leave may be accumulated up to 120 hours. There is no restriction on the amount of sick leave that may be accumulated. Employees may receive payment for unused vacation leave, up to the 120 hour maximum, upon termination or resignation. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. The District's policies do not provide for an employee to be paid for any unused sick leave in the event of termination. Accordingly, no liability is recorded for accumulated sick leave.

Use of Restricted/Unrestricted Net Position

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

Emergency Telephone Service Charges

The District records emergency telephone service charge revenue collected from telephone service providers net of vendor compensation. Vendor compensation was $1,895 for the year ended June 30, 2015.

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.

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% of the uninsured amount of the deposits.

All of the District's cash and cash equivalent balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - CAPITAL ASSETS

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

	Balance 7/1/14	Additions	Retirements	Balance 6/30/15
Capital assets not being depreciated				
Construction in progress	$ 420,088	$ 28,436	$ 0	$ 448,525
Capital assets being depreciated				
Equipment	1,947,540	13,061	0	1,960,601
Furniture and fixtures	89,479	5,217	0	94,696
Buildings and improvements	699,961	0	0	699,961
Vehicles	49,438	0	0	49,438
	2,786,418	18,278	0	2,804,696
Accumulated depreciation				
Equipment	(1,409,062)	(198,263)	0	(1,607,325)
Furniture and fixtures	(73,606)	(2,902)	0	(76,509)
Buildings and improvements	(319,565)	(18,052)	0	(337,617)
Vehicles	(49,438)	0	0	(49,438)
	(1,851,672)	(219,217)	0	(2,070,888)
	$ 1,354,834	$ (172,503)	$ 0	$ 1,182,332

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.

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 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. 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	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	2
	6

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. Sevier County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Sevier County Emergency Communications District were $14,449 based on a rate of 9.49% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Sevier County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

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

Actuarial assumptions

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

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5% *(use only if COLA is provided)*

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized 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%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% 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%. 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.

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) – (b)
Changes for the year ended June 30, 2014:			
Service cost	$ 15,619		$ 15,619
Interest	65,977		65,977
Differences between expected and actual experience	(13,097)		(13,097)
Contributions-employer		$ 21,495	(21,495)
Contributions-employees		8,136	(8,136)
Net investment income		145,168	(145,168)
Benefit payments, including including refunds of employee contributions	(31,859)	(31,859)	
Administrative expense		(180)	180
Net changes	36,640	142,760	(106,120)
Balances at June 30, 2013	880,010	863,223	16,787
Balances at June 30, 2014	$ 916,650	$ 1,005,983	$ (89,333)

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Sevier County Emergency Communications District's net pension liability (asset)	$ 32,383	$ (89,333)	$ (191,104)

Pension Income

For the year ended June 30, 2015, the District recognized pension income of $8,985.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 11,226
Net difference between projected and actual earnings on pension plan investments	0	64,414
Contributions subsequent to the measurement date of June 30, 2014	14,449	(not applicable)
Totals	$ 14,449	$ 75,640

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

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

Year Ended June 30:

2016	$ (17,974)
2017	(17,974)
2018	(17,974)
2019	(17,974)
2020	(1,871)
Thereafter	(1,871)

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

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 participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays annual premiums to the Pool for general insurance coverage, destruction of property and workers' compensation insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the District. It is not possible to estimate the amount of such additional assessments or refunds.

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	$ 3,250,937
Net pension liability, measurement date as of July 30, 2014	(16,787)
Deferred outflows for contributions made during the year ended June 30, 2014	21,495
Balance at June 30, 2014, as restated	$ 3,255,645

REQUIRED SUPPLEMENTARY INFORMATION

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2015

	Measurement Date at June 30, 2014
Total pension liability	
Service cost	$ 15,619
Interest	65,977
Changes in benefit terms	-
Differences between actual and expected experience	(13,097)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(31,859)
Net change in total pension liability	36,640
Total pension liability - beginning July 1, 2013	880,010
Total pension liability - ending June 30, 2014 (a)	$ 916,650
Plan fiduciary net position	
Contributions - employer	$ 21,495
Contributions - employee	8,136
Net investment income	145,168
Benefit payments, including refunds of employee contributions	(31,859)
Administrative expense	(180)
Net change in plan fiduciary net position	142,760
Plan fiduciary net position - beginning July 1, 2013	863,223
Plan fiduciary net position - ending June 30, 2014 (b)	1,005,983
Net Pension Liability(Asset) - ending (a) - (b)	$ (89,333)
Plan fiduciary net position as a percentage of total net pension liability	109.75%
Covered - employee payroll	$ 162,717
Net pension liability(asset) as a percentage of covered-employee payroll	54.90%

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

See the accompanying independent accountants' audit report.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PENSION CONTRIBUTIONS

June 30, 2015

	2015	2014
Actuarially determined contribution	$ 14,449	$ 21,495
Contributions in relation to the actuarially determined contribution	(14,449)	(21,495)
Contribution deficiency(excess)	$ -	$ -
Covered employee payroll	$ 152,249	$ 162,717
Contributions as a percentage of covered employee payroll	9.49%	13.21%

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

Notes to Schedule of Pension Contributions

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

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.50%, 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	2.50%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2015

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Emergency telephone service charges, net	$ 121,522	$ 208,105	$ (86,583)
TECB - shared wireless charge	84,195	108,000	(23,805)
TECB - operational funding	241,647	150,000	91,647
TECB - base amount distributions	509,859	547,000	(37,141)
TECB - other grants and reimbursements	20,000	0	20,000
Other operating revenue	79	300	(221)
TOTAL OPERATING REVENUE	977,303	1,013,405	(36,102)
OPERATING EXPENSES			
Salaries and wages:			
Director	53,523	53,523	0
Administrative personnel	98,726	98,726	0
	152,249	152,249	0
Employee benefits:			
Payroll taxes	11,201	11,201	0
Medical insurance	37,825	37,825	0
Retirement	0	14,449	(14,449)
	49,026	63,475	(14,449)
Contracted services:			
Addressing/mapping	5,000	5,000	0
Advertising	836	866	(30)
Auditing services	8,000	8,000	0
Contracts with government agencies	200,000	200,000	0
Fees paid to service providers	51,330	70,219	(18,888)
Maintenance agreements	193,243	179,811	13,432
Janitorial services	7,600	7,600	0
Mapping/Data base consultants	19,783	19,770	13
Maintenance and repairs - communications equipment	713	1,214	(501)
Maintenance and repairs - buildings and facilities	7,339	7,384	(45)

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2015

	Actual	Budget	Variance Over (Under)
Contracted services(continued)			
Fuel vehicles	2,034	2,101	(67)
	495,878	501,965	(6,087)
Supplies and materials:			
Office supplies	2,525	2,568	(43)
Postage	62	62	0
Small equipment purchases	942	942	0
Utilities - electric	22,828	23,061	(233)
Utilities - water and sewer	438	438	0
Utilities - general telephone	34,661	36,000	(1,339)
Utilities - cell phone	301	301	0
	61,757	63,371	(1,615)
Other charges:			
Board meeting expenses	2,545	2,545	0
Dues and memberships	903	903	0
Internet service	2,743	2,743	0
Insurance	21,928	21,100	828
Licenses and fees	3,200	3,200	0
Premiums on surety bonds	900	1,250	(350)
Public education	3,616	3,616	0
	35,834	35,357	478
Depreciation	219,217	224,849	(5,633)
TOTAL OPERATING EXPENSES	1,013,960	1,041,266	(27,305)

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2015

	Actual	Budget	Variance Over (Under)
(LOSS) FROM OPERATIONS	(36,658)	(27,861)	(8,797)
NONOPERATING REVENUE			
Interest income	3,476	1,000	2,476
Pension	8,985	0	8,985
	12,461	1,000	11,461
CHANGE IN NET POSITION	(24,196)	(26,861)	2,665
NET POSITION AT THE BEGINNING OF THE YEAR	3,255,645	3,255,645	0
NET POSITION AT THE END OF THE YEAR	$ 3,231,449	$ 3,228,784	$ 2,665

See the accompanying independent accountants' audit report.

SEVIER COUNTY EMERGENCY COMMUNICAIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2015

Board of Directors for 2014-2015

Jack Baldwin	Pigeon Forge Chief of Police	Chairman of the Board
Randy Brackins	Gatlinburg Chief of Police	Vice-Chairman
Greg Patterson	Sevier County Assistant Mayor	Treasurer
Steve Huskey	Sevier County Ambulance Service	Secretary
Ron Seals	Sevier County Sheriff	Board Member
Tony Watson	Pigeon Forge Fire Department	Board Member
Don Myers	Sevierville Chief of Police	Board Member
Gene Byrd	Sevier County Commissioner	Board Member
Fred Atchley, Jr.	Sevier County Commissioner	Board Member

Management Officials for 2014-2015

David Rauhuff	District Coordinator
Misty Ramsey	Office Manager

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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
Sevier County Emergency Communications District
Sevierville, 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 Sevier County Emergency Communications District, 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, and have issued our report thereon dated October 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sevier 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 Sevier County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sevier 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 Sevier 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.

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier 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*.

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 Sevier 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 Sevier County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Emert & Hill

October 7, 2015

SEVIER COUNTY EMERGENCY COMMUNICAIONS DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

There were no prior year findings reported.