

**SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

**SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT**

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INTRODUCTORY SECTION

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DIRECTORS AND OFFICERS
June 30, 2015

Board of Directors:

Jessie Lipoma, Chairwoman
Jerry Fleenor, Secretary
Peggy Rutherford, Treasurer
Wayne Anderson
Terry Jones
Jim Bean
James Brotherton
Jerry Malone

Officers:

Ike D. Lowry, Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sullivan County Enhanced 9-1-1 Emergency Communications District (the "District"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. It should be read in connection with the District's financial statements and related notes included in this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,579,996 (net position). Of this amount, \$872,747 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's net position increased by \$256,420 from last year's presentation, which was attributable to the net income of the District for the year, \$194,476, and \$61,944 from a restatement of beginning net position due to adopting GASB No. 68, as explained in footnote 9, having to do with the District's pension plan through the Tennessee Consolidated Retirement System (TCRS) as described in footnote 5.
- The District has accounts payable and accrued expenses of \$102,040 at June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. Since the District is engaged in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. The report also contains other supporting schedules in addition to the basic financial statements themselves.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic enterprise fund financial statements can be found on pages 12 through 15 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supporting schedules including the District's budget to actual comparisons of revenues and expenses on the basis of accounting on which the District presents its budget. The other supplementary schedules can be found on pages 30 through 33 of this report.

(Continued)

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,579,996 at the close of the most recent fiscal year.

The District uses its capital assets to provide emergency communications services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any associated debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

	<u>Net Position</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 892,388	\$ 812,466
Net pension asset	139,469	-
Capital assets	<u>707,249</u>	<u>613,049</u>
Total assets	<u>1,739,106</u>	<u>1,425,515</u>
Deferred outflows of resources	<u>11,709</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,750,815</u>	<u>\$ 1,425,515</u>
Current liabilities	<u>\$ 102,040</u>	<u>\$ 101,939</u>
Total liabilities	<u>102,040</u>	<u>101,939</u>
Deferred inflows of resources	<u>68,779</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>170,819</u>	<u>101,939</u>
Net position:		
Investment in capital assets	707,249	613,049
Unrestricted	<u>872,747</u>	<u>710,527</u>
Total net position	<u>1,579,996</u>	<u>1,323,576</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,750,815</u>	<u>\$ 1,425,515</u>

(Continued)

Financial Analysis (Continued)

	<u>Changes in Net Position</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Surcharge revenue	\$ 804,417	\$ 677,356
Other revenue	<u>452,411</u>	<u>442,992</u>
Total revenues	<u>\$ 1,256,828</u>	<u>\$ 1,120,348</u>
Expenses		
Salaries and wages	\$ 248,099	\$ 259,838
Employee benefits	57,779	79,025
Contracted services	400,849	426,477
Supplies and materials	138,499	149,756
Other charges	98,863	112,061
Depreciation	<u>118,263</u>	<u>149,805</u>
Total expenses	<u>\$ 1,062,352</u>	<u>\$ 1,176,962</u>
Increase (decrease) in net position	\$ 194,476	\$ (56,614)
Net position – July 1, 2014 (restated – see Note 9)	<u>1,385,520</u>	<u>1,380,190</u>
Net position – June 30, 2015	<u>\$ 1,579,996</u>	<u>\$ 1,323,576</u>

The District's Net Position increased by \$194,476 during the current fiscal year. Surcharge revenue increased by \$127,061, or by 18.8%, with the main increase resulting from the State of Tennessee's change on how all 911 Districts receive their funding. Effective January 1, 2015, in accordance with the 911 Base Funding Law (see Note 1), the Tennessee Emergency Communications Board (TECB) began base level funding to all 911 Districts on the higher of fiscal year 2012's funding or the average of the three years Fiscal Year 2010 through Fiscal Year. The resulting bi-monthly payment of \$169,904 was greater than funding under the previous method, despite the general trend in fewer land line usage, a noticeable trend over the past few years. Other than a one-time pension revenue adjustment of \$8,746, other revenue was virtually the same, a \$673 increase, to account for a total change of \$9,419. Expenses decreased by \$114,610, or by 9.74%, of which \$31,542 was for a decrease in depreciation while another \$32,985 (\$11,709 GASB No. 68 pension related) was the result of change in the number of district employees and the effect on salaries and wages and employee benefits (one fewer person due to retirement and the changes made thereafter). Other expenses saw decreases as the District sought cost saving measures for supplies, materials and other charges, approximately \$24,455.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Sullivan County Enhanced 9-1-1 Emergency Communications District, 1570 Highway 394, Blountville, Tennessee 37617.

FINANCIAL SECTION

Financial Section contains the
Basic Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sullivan County Enhanced 9-1-1
Emergency Communications District
Blountville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Sullivan County Enhanced 9-1-1 Emergency Communications District (the "District"), a component unit of Sullivan County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* published by the Tennessee Office of the Comptroller of the Treasury. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, the District adopted new accounting guidance, *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 the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and accompanying information listed as supplementary schedules in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Expenses – Detail and the Statement of Revenues and Expenses – Detail Budget to Actual Comparison – Budgetary Basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, the Schedule of Insurance Coverage and Schedule of Surcharge Rates have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 14, 2015

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)	\$ 863,103	
Accounts receivable	198	
Prepaid expenses	29,087	

Total current assets		892,388
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NON-CURRENT ASSETS

Net pension asset (Note 5)		139,469
Capital assets: (Note 3)		
Non-depreciable		123,393
Depreciable, net		583,856

Total non-current assets		846,718
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Total assets		1,739,106
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DEFERRED OUTFLOWS OF RESOURCES

Pension contributions subsequent to measurement date (Note 5)		11,709
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LIABILITIES

CURRENT LIABILITIES

Accounts payable		6,089
Accrued expenses (Note 4)		95,951

Total liabilities		102,040
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DEFERRED INFLOWS OF RESOURCES

Net difference between projected and actual investment earnings on pension plan investments (Note 5)		68,779
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NET POSITION (Note 9)

Investment in capital assets		707,249
Unrestricted		872,747

Total net position		\$ 1,579,996
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The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2015

OPERATING REVENUES	
Emergency telephone service charge	\$ 215,305
State Emergency Communications Board - shared wireless charge	589,112
State Emergency Communications Board - operational funding	132,930
Rental income	<u>18,600</u>
Total operating revenues	<u>955,947</u>
OPERATING EXPENSES	
Salaries and wages	248,099
Employee health insurance	35,375
Payroll taxes	18,523
Other employee benefits	3,881
Contracted services	400,849
Supplies and materials	138,499
Other charges	98,863
Depreciation	<u>118,263</u>
Total operating expenses	<u>1,062,352</u>
Operating loss	<u>(106,405)</u>
NONOPERATING REVENUE	
State Emergency Communications Board grants	279,389
Gain on disposition of capital assets	11,000
Pension income	8,746
Interest income	<u>1,746</u>
Total nonoperating revenues	<u>300,881</u>
Change in net position	<u>194,476</u>
NET POSITION AT JULY 1, 2014	1,323,576
Recognition of pension related assets and liabilities and deferred outflows and inflows in accordance with GASB No. 68 (Note 9)	<u>61,944</u>
NET POSITION AT JULY 1, 2014 (as restated) (Note 9)	<u>1,385,520</u>
NET POSITION AT JUNE 30, 2015	<u><u>\$ 1,579,996</u></u>

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from 911 surcharge collections	\$ 1,013,659
Proceeds from rental property	18,600
Cash payments to Sullivan County per contract	(256,805)
Cash payments to suppliers for goods and services	(371,387)
Cash payments to employees for services and related benefits and taxes	<u>(315,333)</u>
Net cash provided by operating activities	<u>88,734</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from disposition of capital assets	11,000
Purchase of capital assets	<u>(212,463)</u>
Net cash used in capital and related financing activities	<u>(201,463)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Proceeds from State ECB grants	<u>279,389</u>
Net cash provided by non-capital financing activities	<u>279,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,746</u>
Net cash provided by investing activities	<u>1,746</u>
Net increase in cash and cash equivalents	168,406
CASH AT BEGINNING OF YEAR	<u>694,697</u>
CASH AT END OF YEAR	<u><u>\$ 863,103</u></u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

(Continued)

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (106,405)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	118,263
(Increases) decreases in:	
Accounts receivable - surcharge	76,312
Accounts receivable - other	(198)
Prepaid expenses	12,370
Deferred outflows of resources	(11,709)
Increases (decreases) in:	
Accounts payable	(2,351)
Accrued expenses	2,452
	<u>195,139</u>
Total adjustments	
	<u>195,139</u>
Net cash provided by operating activities	<u>\$ 88,734</u>

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Organization

The Tennessee General Assembly's passage of Emergency Communications District Law (Acts 1984, ch. 867) declared that the establishment of a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid is a matter of public concern and interest. It is the intent of communication districts to provide a simplified means of securing emergency services.

The legislative body of any municipality or county, may, by ordinance or resolution, respectively, create an emergency communications district within all or part of the boundaries of such municipality or county. Prior to the establishment of such district, an election must be held and certified by the County Election Commission indicating the voters' approval of the communication district. Such an election was held in Sullivan County in August, 1986, whereby the voters approved a referendum which formed the Sullivan County Enhanced 9-1-1 Emergency Communications District (the "District").

The District is a component unit of Sullivan County, Tennessee (the "County"), as defined by Statement No. 14, "The Reporting Entity" as amended by Statement No. 61, "The Financial Reporting Entity" of the Governmental Accounting Standards Board. A voting majority of the District's Board of Directors are appointed and approved by the County Executive and County Commission, respectively. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

Measurement focus and basis of accounting

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are surcharge revenues. Operating expenses include the equipment expenses, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

In accordance with *Tennessee Code Annotated 7-86-120*, an annual budget is adopted by the District. The budget is approved by the Board and is also submitted to the primary government, Sullivan County, Tennessee. Expenses are presented at the legal level of control, which in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, is the line-item level.

The following procedures are used by the District in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed throughout the year as a management control device.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (continued)

2. Budgets are adopted on a modified cash basis reflecting revenues when monies received and expenses upon payment. A reconciliation of the budgetary data to the accrual basis financial statements is included with the accompanying financial statements.
3. All budgetary data presented in the accompanying financial statements is the final approved revised data.
4. Budget items can only be revised upon approval of the Board of Directors.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all cash on hand, in bank, and all highly liquid investments, including certificates of deposit, to be cash and cash equivalents.

Surcharge Revenue

The District recognizes surcharge revenue when earned. Through December 31, 2014, Century Link and BTES, the local telephone 'service suppliers', collected and remitted surcharge revenues to the District on a monthly basis. Surcharge revenue collections were remitted to the District within thirty (30) days subsequent to the last business day of the preceding month. The service suppliers were entitled to and retained three percent (3%) of their collected surcharges as an administrative fee. The State of Tennessee also collects surcharge revenue from Charter Communications and remits those funds to the District on an annual basis. The District also receives revenue from the State of Tennessee for wireless revenue. This revenue is equivalent to 25% of the revenue generated by wireless communications and is based on a proportion of the population of each District. These funds are remitted to the District on a bi-monthly basis.

Effective January 1, 2015, funding and remittances changed to the Base Level Funding Method through the Tennessee Emergency Communications Board (TECB). The TECB was no longer required to pay the 25% noted in the previous paragraph. Instead they are required to pay a fixed base amount, which is established to include the 25% amount. All surcharge revenue now comes through TECB rather than local telephone service suppliers.

The District, and all properties at any time owned by it, is exempt from all taxation in the State of Tennessee (Acts 1984, ch. 867).

Depreciation

Depreciation for capital assets (those the District considers if at least \$5,000 in cost and a useful live at least one year, as per the capitalization policy) is provided mostly on the straight-line method over the estimated useful lives, which range from three years for office and training equipment to twenty-five years for the buildings. Certain assets that are deemed to be used more in earlier years follow an accelerated method of depreciation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain and loss is recognized in income as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Note 2. Cash and Cash Equivalents

State statutes authorize the District to invest in obligations of the federal government, state government, the state investment pool, certificates of deposit and other time deposits, and repurchase agreements.

All of the District's cash and cash equivalents were deposited with financial institutions at June 30, 2015. All deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by the Tennessee Bank Collateral Pool.

Note 3. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Capital assets, not being depreciated				
Land	\$ 123,393	\$ -	\$ -	\$ 123,393
Capital assets, being depreciated				
Automobiles	84,110	39,748	(45,316)	78,542
Office and training equipment	289,764	-	-	289,764
Machinery and equipment	454,222	168,365	-	622,587
Other equipment	8,357	-	-	8,357
Furniture and fixtures	46,360	-	-	46,360
Buildings	<u>700,518</u>	<u>4,350</u>	<u>-</u>	<u>704,868</u>
Total capital assets, being depreciated	<u>1,583,331</u>	<u>212,463</u>	<u>(45,316)</u>	<u>1,750,478</u>

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Capital Assets (Continued)

	<u>Beginning July 1</u>	<u>Increases</u>	<u>Balance Decreases</u>	<u>June 30</u>
Less accumulated depreciation for				
Automobiles	\$ (84,110)	\$ (7,287)	\$ 45,316	\$ (46,081)
Office and training equipment	(288,766)	(997)	-	(289,763)
Machinery and equipment	(300,920)	(74,787)	-	(375,707)
Other equipment	(8,357)	-	-	(8,357)
Furniture and fixtures	(43,624)	(1,115)	-	(44,739)
Buildings	<u>(367,898)</u>	<u>(34,077)</u>	<u>-</u>	<u>(401,975)</u>
Total accumulated depreciation	<u>(1,093,675)</u>	<u>(118,263)</u>	<u>45,316</u>	<u>(1,166,622)</u>
Total capital assets, depreciated, net	<u>489,656</u>	<u>94,200</u>	<u>-</u>	<u>583,856</u>
Total capital assets, net	<u>\$ 613,049</u>	<u>\$ 94,200</u>	<u>\$ -</u>	<u>\$ 707,249</u>

Depreciation expense for the fiscal year ended June 30, 2015 was \$118,263.

Note 4. Accrued Expenses

Accrued expenses consist of the following:

Accrued salaries and related expenses	\$ 4,394
Accrued vacations	<u>91,557</u>
Totals	<u>\$ 95,951</u>

Accrued salaries and related expenses represents the amount owed for salaries and related expenses earned but not paid as of June 30. Accrued vacations represent the cost of accumulated vacation earned but not taken through June 30, at current wage rates. Actual payment of the employee benefits will occur in future periods.

Note 5. Tennessee Consolidated Retirement System

Plan description. Employees of Sullivan County Enhanced 9-1-1 Emergency Communications District (the "District") are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (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.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Tennessee Consolidated Retirement System (Continued)

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

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

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>4</u>
	<u>16</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. 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 \$11,709 based on a rate of 5.44 percent of annual covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state share taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) is 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.

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%

Salary increases – Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.

Investment rate of return – 7.5 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment – 2.5 percent.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Tennessee Consolidated Retirement System (Continued)

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 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 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real Estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Tennessee Consolidated Retirement System (Continued)

Changes in the Net Pension Liability (Asset)

	Increase	(Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 06/30/13	\$634,766	\$673,016	\$(38,250)
Changes for the year:			
Service cost	10,254	-	10,254
Interest	48,249	-	48,249
Differences between expected and actual experience	(23,009)	-	(23,009)
Contributions-employer	-	23,694	(23,694)
Contributions-employee	-	-	-
Net investment income	-	113,235	(113,235)
Benefit payments, including refunds of employee contributions	(3,405)	(3,405)	-
Administrative expense	-	(216)	216
Net Changes	32,089	133,308	(101,219)
Balance at 06/30/14	\$666,855	\$806,324	\$(139,469)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Sullivan County Emergency Communications District's net pension liability (asset)	\$(44,970)	\$(139,469)	\$(216,989)

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

Pension income. For the year ended June 30, 2015, the District recognized pension income of \$8,746.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Tennessee Consolidated Retirement System (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$19,174
Net difference between projected and actual earnings on pension plan investments	-	49,605
Contributions subsequent to the measurement date of June 30, 2014	11,709	-
Total	\$11,709	\$68,779

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	\$ (16,236)
2017	(16,236)
2018	(16,236)
2019	(16,236)
2020	(3,835)
Thereafter	<u>-</u>
Totals	<u>\$ (68,779)</u>

Note 6. Leases

Operating Lease

The District entered into an operating lease agreement on March 14, 2006 with United Telephone-Southeast, d.b.a. Century Link to be provided with a CML ECS 1000 System. The lease was for a term of 60 months with monthly payments due in the amount of \$2,900 after an upfront payment of \$116,000. The total lease amount of \$174,000 was amortized over the life of the lease. The District had an option at the end of the lease to replace the equipment and begin a new lease or continue the current lease with monthly payments of \$2,900 for an additional 36 months. The lease was scheduled to expire March 31, 2011. However, due to the Next Gen upgrade that will be occurring in the near future, Century Link agreed to move forward with the current lease terms on a month to month basis with the District. The monthly payment remained the same until the NextGen upgrade, and it changed to \$828 per month thereafter, which was paid for the fiscal year ended June 30, 2015. Annually, this is \$9,936.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Leases (Continued)

The District entered into an operating lease agreement along with seven other regional ECD's on December 1, 2012 with United Telephone-Southeast, d/b/a Century Link, to lease floor space at Century Link's Bristol, TN and Johnson City, TN facilities to house the Next Gen 911 Equipment upgrades. The lease's initial term is 60 months and was paid in full upfront. The District's portion of the lease was \$6,750 which will be amortized over the term of the lease. Annually, this is \$1,350.

Total lease/rent expense for the year was \$14,197, which includes a copier that is rented over 39 months at \$242 per month (excluding maintenance costs) which started in March 2014, therefore \$2,904 for the year ended June 30, 2015.

The future minimum lease payments required under the lease agreement for the copier are as follows, for fiscal year ending June 30:

2016	\$	2,904
2017		<u>2,662</u>
Total lease payments	\$	<u>5,566</u>

Real Property Lessor

The District is a lessor of certain real property under short-term agreements with two lessees, rental income determined on an annual basis. The amount received for the year ended June 30, 2015 was \$18,600.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage for each of the above risks of loss. Workman's compensation insurance is retrospectively rated. Premium variance is not considered material. Management believes the coverage obtained through its commercial insurance policies is adequate to preclude any significant uninsured risk exposure to the District. There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage since the inception of the District. Claims experienced in the fiscal year 2015 are considered by management to be insignificant.

Note 8. Inter-local Cooperation Agreement

The Sullivan County, Tennessee, County Commission approved the Inter-local Cooperation Agreement providing for Emergency Communications Service between Sullivan County, Tennessee, (the "County"), the Sullivan County Sheriff, (the "Sheriff"), and Sullivan County Enhanced 9-1-1 Emergency Communications District, (the "District"). Under terms of the agreement, the County and the Sheriff shall provide the physical facilities and employees necessary to operate and maintain an emergency communication service for the District for the period beginning July 1, 2014 and ending on June 30, 2015. The County, by and through the Sheriff, shall provide a public safety answering point and central dispatch and qualified employees to operate an emergency communications service for the District. The agreement calls for the Sheriff to hire six District employees to become "at-will" employees of the County. In return for the facilities and the employees for the one-year period specified, the District agrees to pay to the

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Inter-local Cooperation Agreement (Continued)

County \$256,805 in twelve equal monthly installments. The agreement calls for annual renewal upon approval by the County, the Sheriff and the District. The agreement was renewed for the subsequent fiscal year for \$271,805. For the year ended June 30, 2015, there were no amounts owed to the Sheriff's Department.

Note 9. Adoption of New Standard and Prior Period Restatement

In the current year the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71. This standard replaces the requirements of GASB statements No. 27 and No. 50 as they relate to governmental type entities that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governmental type entities providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.

The following is a summary of the restatements to net position resulting from the adoption of GASB Statement No. 68:

Net position, July 1, 2014, as previously reported	<u>\$1,323,576</u>
Initial establishment of Net Pension Asset during the transition to GASB 68	38,250
Recording of employer contributions made during the year ended June 30, 2014 (transition to GASB 68 per paragraph 9 of GASB 71)	<u>23,694</u>
Total GASB 68 effect on beginning net position	<u>61,944</u>
Net position, July 1, 2014, as restated	<u>\$1,385,520</u>

Note 10. Subsequent Events

Management evaluated all activity of the District through December 14, 2015 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosures in the Notes to the Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2014
Total Pension Liability	
Service Cost	\$ 10,254
Interest	48,249
Changes in benefit terms	-
Differences between actual and expected experience	(23,009)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(3,405)
Net Change in total pension liability	32,089
Total pension liability - beginning	634,766
Total pension liability - ending (a)	\$ 666,855
Plan Fiduciary Net Position	
Contributions - employer	23,694
Contributions - employee	-
Net investment income	113,235
Benefit payments, including refunds of employee contributions	(3,405)
Administrative expense	(216)
Net change in plan fiduciary net position	133,308
Plan fiduciary net position - beginning (b)	673,016
Plan fiduciary net position - ending (b)	\$ 806,324
Net pension liability (asset) - Ending (a) - (b)	\$ (139,469)
Plan fiduciary net position as a percentage of total pension liability	120.91%
Covered - employee payroll	\$ 243,013
Net pension liability (asset) as a percentage of covered-employee payroll	57.39%

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.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2014	2015
Actuarially determined contribution	\$ 23,694	\$ 11,709
Contribution in relation to the actuarially determined contribution	23,694	11,709
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 243,013	\$ 215,232
Contributions as a percentage covered - employee payroll	9.75%	5.44%

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method - Frozen initial liability.

Amortization method - Level dollar, closed (not to exceed 20 years).

Remaining amortization period - 1 year.

Asset valuation - 10-year smoothed within a 20 percent corridor to market value.

Inflation - 3.0 percent.

Salary increases - Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.

Investment Rate of Return - 7.5 percent, net of investment expense, including inflation.

Retirement age - Pattern of retirement determined by experience study.

Mortality - Customized table based on actual experience including an adjustment for some anticipated improvement.

Cost of Living Adjustments, if applicable - 2.5 percent.

SUPPLEMENTARY SCHEDULES

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF EXPENSES - DETAIL
For the Year Ended June 30, 2015

CONTRACTED SERVICES	
Addressing/mapping expense	\$ 7,737
Audit services	6,500
Accounting services	3,675
Administrative fees - service charge	6,572
Buildings & facilities lease	1,350
Contracts with government agencies (Note 8)	256,805
Contracts with private agencies	9,000
Maintenance agreements	71,082
Lease/rental - communications equipment	9,936
Lease/rental - office equipment	2,911
Lease/rental- vehicles	9,596
Maintenance and repairs - communications equipment	12,691
Maintenance and repairs - buildings and facilities	300
Maintenance and repairs - vehicles	2,694
	<u>\$ 400,849</u>
SUPPLIES AND MATERIALS	
Bank service charges	\$ 408
Internet	271
Office supplies	5,793
Custodial supplies	411
Postage	334
Uniforms & shirts	1,409
Utilities - electric	12,295
Utilities - gas	1,418
Utilities - water	769
Utilities - general telephone	104,420
Utilities - cell phones and pagers	10,971
	<u>\$ 138,499</u>
OTHER CHARGES	
Dues and memberships	\$ 2,646
Board meeting	1,672
Fuel - vehicles	3,503
Legal notices	1,569
Licenses & fees	60
Insurance - workers compensation	27
Insurance - buildings and contents	20,322
Insurance - vehicles	2,214
Insurance - liability	3,085
Pest control	180
Premiums on surety bonds	4,980
Public education	24,950
Service awards	2,936
Training expenses	13,799
Travel expenses	16,470
Miscellaneous and other charges	450
	<u>\$ 98,863</u>

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES AND EXPENSES DETAIL -
BUDGET TO ACTUAL COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
INCOME				
Emergency phone service charges	\$ 217,000	\$ 217,000	\$ 215,305	\$ (1,695)
SECB shared wireless charge	369,606	369,606	589,112	219,506
TECB operational funding	369,606	369,606	132,930	(236,676)
Interest income	2,500	2,500	1,746	(754)
ST ECB grants	304,089	304,089	279,389	(24,700)
Rental income	18,600	18,600	18,600	-
Other income	-	-	11,000	11,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total income	1,281,401	1,281,401	1,248,082	(33,319)
EXPENSES				
Salaries & wages	252,276	254,721	245,297	9,424
Employee benefits	84,601	92,643	69,488	23,155
Contracted services	332,330	371,130	361,369	9,761
Pest control	275	275	180	95
Communications equipment lease	9,936	9,936	9,936	-
Office equipment rental/lease	3,100	3,100	2,911	189
Vehicles lease/rentals	1,200	1,200	-	1,200
Maintenance - communications equipment & software	3,000	3,000	2,577	423
Maintenance - buildings & facilities	15,300	15,300	12,691	2,609
Maintenance - office equip.	1,000	1,000	300	700
Maintenance - vehicles	2,000	3,000	2,694	306
Fuel - vehicles	8,200	8,200	3,503	4,697
Supplies & materials	8,500	9,000	7,947	1,053
Electric utility	10,300	12,175	12,295	(120)
Gas utility	1,485	1,485	1,418	67
Water utility	850	850	769	81
General telephone	103,500	104,500	104,421	79
Cell phone & pagers	17,000	17,000	10,971	6,029
Workers compensation insurance	875	875	27	848
Liability insurance	3,085	3,085	3,085	-
Buildings/contents insurance	21,650	20,350	20,322	28
Equipment Insurance	250	250	-	250
Vehicles insurance	2,630	2,630	2,214	416
Legal notices	750	1,750	1,569	181
Licenses and fees	800	800	60	740
Premiums on surety bonds	2,040	540	980	(440)
Public education	6,500	25,000	24,951	49
Service awards	3,500	4,000	2,936	1,064
Training expenses	15,000	15,000	13,799	1,201

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES AND EXPENSES DETAIL -
BUDGET TO ACTUAL COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENSES (Continued)				
Travel expenses	15,000	17,500	16,470	1,030
Internet charges	500	500	271	229
Depreciation	140,000	119,451	118,263	1,188
Other charge expense	5,600	5,800	5,176	624
Payroll expenses	275	275	-	275
Reconciliation discrepancies	110	110	-	110
Capital purchases - expensed (see note below)	-	-	-	-
Capital purchases - depreciable (see note below)	175,000	129,224	-	129,224
	<u>1,248,418</u>	<u>1,255,655</u>	<u>1,058,890</u>	<u>196,765</u>
 Total expenses				
	<u>1,248,418</u>	<u>1,255,655</u>	<u>1,058,890</u>	<u>196,765</u>
 CHANGE IN NET ASSETS	<u>\$ 32,983</u>	<u>\$ 25,746</u>	<u>\$ 189,192</u>	<u>\$ 163,446</u>
 Change in net assets (budgetary basis)			\$ 189,192	
 Reconciliation to GAAP basis:				
Effect of GASB 68 adoption on revenue and expense			20,455	
Net decrease in prepaid expenses not adjusted			(12,369)	
Net increase in accrued expenses not adjusted			<u>(2,802)</u>	
			<u>\$ 194,476</u>	

The above Statement of Revenues and Expenses - Detail; Budget to Actual Comparison presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis and timing differences in the change in net assets for the current year is presented above.

The budget for capital purchases was for all property and equipment additions, whether capitalized and recorded as an asset or expensed (if below the District's capitalization threshold). For the year, all items recorded as an asset, subject to depreciation, are not shown as an expense above. Therefore, the budget to expense comparison is separated as noted.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
June 30, 2015

6/30/2014	6/30/2015	Glatfelter Insurance Group VFIS / Mark Bowery Insurance	VFIS-TR-2055773-07
Commercial Automobile			
6/30/2014	6/30/2015	Glatfelter Insurance Group VFIS / Mark Bowery Insurance	VFIS-CM-1053521-07
Workers Compensation			
3/1/2015	3/1/2016	Star Insurance Company/ TPA Insurance Agency	WC-0457763-06
Directors' Bonds			
Various	Various	Bond Insurance Agency VFIS / Mark Bowery Insurance	Various

SCHEDULE OF SURCHARGE RATES (UNAUDITED)

Surcharge rates in effect July 1, 2014 through June 30, 2015, were \$1.50 per month for residential customers and \$3.00 (for each line up to 100 lines) for commercial customers.

COMPLIANCE SECTION



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

To the Board of Directors
Sullivan County Enhanced 9-1-1
Emergency Communications District
Blountville, 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 and the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* published by the Tennessee Office of the Comptroller of the Treasury, the financial statements of the Sullivan County Enhanced 9-1-1 Emergency Communications District (the District), a component unit of Sullivan County, Tennessee, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Compliance and Other Matters (continued)

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as item 2015-01.

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 14, 2015

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

2015-01 Compliance – Budgetary Basis Line Items

Condition: The District had two instances of line items where the expense on a budgetary basis exceeded the budget as identified in the accompanying Supplemental Schedule “Statement of Revenues and Expenses – Detail - Budget to Actual Comparison - Budgetary Basis.”

Criteria: Compliance with State Regulations requires the District’s expenses on a budgetary basis to be within their established budget, following the legal level of control, which in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, is the line-item level.

Effect: Incurred amounts exceeded the budget, contrary to the stated criteria above.

Recommendation: The District should enhance their monitoring and budgetary procedures to ensure all line items are within the established budget. This may involve an accrual to cash adjustment closer to the end of the year to permit an approved change to the budget before the end of the fiscal year.

Management Response: The District notes that these were items that could vary in actual expense because of the nature of the expense (utility costs and insurance premiums). The District states the amounts incurred were reasonable and that the ability to modify the budget by the end of the fiscal year was a timing matter to ensure all line items were covered by the budget. The District notes that total budget basis expenses were significantly less than what they budgeted for the fiscal year and individual line items could have been amended, if better timing of the occurrence of the expense and the final amended budget permitted.