

**GRAINGER COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**RUTLEDGE, TENNESSEE**

**ANNUAL FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2015**

**and**

**INDEPENDENT AUDITOR'S REPORT**

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

ANNUAL FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2015

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GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2015

Members of the Board of Directors are as follows:

Jeff Atkins	Chairman
Woody Roach	Vice Chairman
Martha Ann Cameron	Secretary
Gary Wayne Dalton	Member
Sarah Fennell	Member
James Harville	Member
Dr. Mark Holland	Member
Mike Holt	Member
Bradley Spooone	Member

# BROWN JAKE & McDANIEL, PC

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FRANK D. McDANIEL, CPA, CGFM, CGMA  
TERRY L. MOATS, CPA, CGFM, CGMA  
JAMES E. BOOHER, CPA, CGMA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

Board of Directors  
Grainger County Emergency  
Communications District  
Rutledge, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying statement of net position of Grainger County Emergency Communications District (the "District"), a component unit of Grainger County, Tennessee, as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows 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. 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.

### ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2015, and the respective changes in financial position and cash flows 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 6 and 7, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

***Emphasis of Matter***

We draw attention to Note 7 to the financial statements, which describes a restatement to increase the beginning net position by \$33,823 as shown on the Statement of Revenues, Expenses and Change in Net Position. This restatement was necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 7 and the Schedule of Changes in the District's Net Pension Liability (Asset) Based on Participation in the Public Employee Pension Plan of TCRS on page 22 and the Schedule of the District's Contributions Based on Participation in the Public Employee Pension Plan of TCRS on page 23 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***

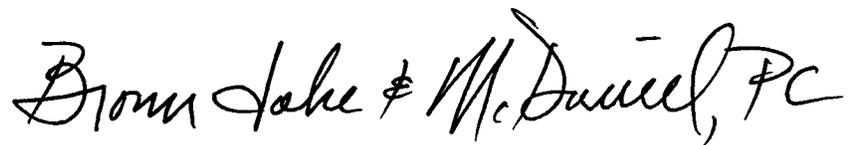
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and is 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 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.

A handwritten signature in black ink that reads "Brown Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee  
November 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2015

The financial statements of Grainger County Emergency Communications District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about their activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Change in Net Position. The 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 its fees, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The 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.

Table 1

Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Increase (Decrease)	%
Current assets	\$ 776,932	\$ 706,879	\$ 70,053	9.91%
Capital assets	302,497	378,183	(75,686)	-20.01%
Other assets	<u>45,351</u>	<u>-</u>	<u>45,351</u>	100.00%
Total assets	<u>\$ 1,124,780</u>	<u>\$ 1,085,062</u>	<u>\$ 39,718</u>	3.66%
Deferred outflows of resources	<u>\$ 6,978</u>	<u>\$ -</u>	<u>\$ 6,978</u>	100.00%
Current liabilities	<u>\$ 14,695</u>	<u>\$ 13,063</u>	<u>\$ 1,632</u>	12.49%
Total liabilities	<u>\$ 14,695</u>	<u>\$ 13,063</u>	<u>\$ 1,632</u>	12.49%
Deferred inflows of resources	<u>\$ 15,655</u>	<u>\$ -</u>	<u>\$ 15,655</u>	100.00%
Investment in capital assets	\$ 302,497	\$ 378,183	\$ (75,686)	-20.01%
Unrestricted	<u>798,911</u>	<u>693,816</u>	<u>105,095</u>	15.15%
Total net position	<u>\$ 1,101,408</u>	<u>\$ 1,071,999</u>	<u>\$ 29,409</u>	2.74%

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

One way to measure financial health of a company is to look at its increases or decreases in net position over time. Increases in net position, in general, are signs that a company's financial health is improving. Decreases may indicate that its financial health is deteriorating. However, you will need to also consider non-financial factors such as economic conditions, service growth and legislative mandates.

The District's total net position increased by \$29,409 from last year with the inclusion of a prior period adjustment for the adoption of GASB 68 (See Note 7 to the financial statements).

Table 2

Statement of Revenues, Expenses and Change in Net Position

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014	Increase (Decrease)	%
Operating revenue	\$ 313,737	\$ 305,883	\$ 7,854	2.57%
Non-operating revenue	<u>341,851</u>	<u>352,766</u>	<u>(10,915)</u>	-3.09%
Total revenues	<u>655,588</u>	<u>658,649</u>	<u>(3,061)</u>	-0.46%
Salaries and wages	369,382	361,664	7,718	2.13%
Employee benefits	77,251	71,467	5,784	8.09%
Contracted services	82,251	87,326	(5,075)	-5.81%
Supplies and materials	13,931	14,448	(517)	-3.58%
Depreciation expense	87,096	86,650	446	0.51%
Other charges	<u>30,091</u>	<u>31,041</u>	<u>(950)</u>	-3.06%
Total expenses	<u>660,002</u>	<u>652,596</u>	<u>7,406</u>	1.13%
Income (loss) before capital grants	(4,414)	6,053	(10,467)	-172.92%
Capital grants	<u>-</u>	<u>217,855</u>	<u>(217,855)</u>	-100.00%
Change in net position	<u>(4,414)</u>	<u>223,908</u>	<u>(228,322)</u>	-101.97%
Beginning net position, as previously stated	1,071,999	848,091	223,908	26.40%
Prior period adjustment	<u>33,823</u>	<u>-</u>	<u>33,823</u>	100.00%
Beginning net position, as restated	<u>1,105,822</u>	<u>848,091</u>	<u>257,731</u>	30.39%
Ending net position	<u>\$ 1,101,408</u>	<u>\$ 1,071,999</u>	<u>\$ 29,409</u>	2.74%

As can be seen in Table 2, the change in net position (formerly known as "net income") decreased from the prior year by \$228,322. This decrease resulted from decreased non-operational funding and capital grant contributions from the Tennessee Emergency Communications Board and expenses increased by approximately 1%.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Capital assets, net	<u>\$ 302,497</u>	<u>\$ 378,183</u>	<u>\$ (75,686)</u>

This year's capital additions include:

Communication equipment	\$	6,715
Furniture and fixtures		3,354
Office equipment		<u>1,342</u>
 Total additions		 <u>\$ 11,411</u>

The District plans to have additional capital outlays in 2016 for control and communication equipment to be funded by income of the District before depreciation recognition.

At June 30, 2015, the District had no outstanding long-term debt and has no plans to issue debt in the near future.

There were no significant variations from fiscal year 2015 budgeted operational expenditures and fiscal year 2015 actual operational expenditures. Fiscal year 2016 budget, approved June 17, 2015, contains no significant operational increases or decreases from fiscal year 2015.

This financial report is designed to provide the public and creditors with an overview of the finances of the District and to demonstrate accountability for the money received. If there are questions, comments, or requests for additional information pertaining to this report, please contact:

Mr. Randy Holt, Director  
Grainger County Emergency Communications District  
270 Justice Center Drive, Suite 103  
Rutledge, TN 37861

Phone (865) 828-3311

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 576,932
Total current assets	<u>576,932</u>
Segregated assets:	
Investments - certificate of deposit	<u>200,000</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$201,391	<u>302,497</u>
Other assets:	
Net pension asset	<u>45,351</u>
Total assets	<u>1,124,780</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension changes in experience	1,205
Pension contribution after measurement date	<u>5,773</u>
Total deferred outflows of resources	<u>6,978</u>

LIABILITIES

Current liabilities:	
Accrued employee leave	12,935
Other current liabilities	<u>1,760</u>
Total liabilities	<u>14,695</u>

DEFERRED INFLOWS OF RESOURCES

Pension changes in investment earnings	<u>15,655</u>
--	---------------

NET POSITION

Net position:	
Investment in capital assets	302,497
Unrestricted	<u>798,911</u>
Total net position	<u>\$ 1,101,408</u>

The accompanying notes are an integral  
part of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 RUTLEDGE, TENNESSEE  
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
 For the Fiscal Year Ended June 30, 2015

Operating revenue:	
TECB distribution of 911 surcharged (base amount)	\$ 194,280
Emergency telephone 911 surcharges	50,615
TECB shared wireless charge	21,222
TECB operational funding	<u>47,620</u>
	<u>313,737</u>
Operating expenses:	
Salaries and wages	369,382
Employee benefits	77,251
Contracted services	82,251
Supplies and materials	13,931
Other charges	<u>30,090</u>
	<u>572,905</u>
Operating margin (loss) before depreciation	(259,168)
Depreciation expense	<u>87,097</u>
Operating margin (loss)	<u>(346,265)</u>
Non-operating revenue (expense):	
Interest income	1,787
Contribution - primary government	212,500
Contributions - municipalities	40,250
TECB - grants and reimbursements	86,251
Miscellaneous income	<u>1,063</u>
	<u>341,851</u>
Change in net position	<u>(4,414)</u>
Net position, beginning of the year, as previously stated	1,071,999
Prior period adjustment (see note 7)	<u>33,823</u>
Net position, beginning of the year, as restated	<u>1,105,822</u>
Net position, end of the year	<u>\$ 1,101,408</u>

The accompanying notes are an integral  
 part of these financial statements.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 365,826
Miscellaneous income	1,063
Cash paid to suppliers for goods and services	(206,834)
Cash paid to employees for services provided	<u>(367,291)</u>
Net cash used by operating activities	<u>(207,236)</u>
Cash flows from noncapital financing activities:	
Cash received from municipal governments	40,250
State Emergency Board - grants and reimbursements	86,251
Contribution from primary government	<u>212,500</u>
Net cash provided by noncapital financing activities	<u>339,001</u>
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions	<u>(11,411)</u>
Net cash used by capital and related financing activities	<u>(11,411)</u>
Cash flows from investing activities:	
Interest income	1,787
Proceeds from maturities of investments	101,861
Purchases of investments	<u>(200,000)</u>
Net cash used by investing activities	<u>(96,352)</u>
Net increase in cash and cash equivalents	24,002
Cash and cash equivalents, beginning of the year	<u>552,930</u>
Cash and cash equivalents, end of the year	<u>\$ 576,932</u>

(Continued)

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS  
(Continued)

For the Fiscal Year Ended June 30, 2015

Reconciliation of operating margin (loss) to net cash  
used by operating activities:

Operating margin (loss)	\$ (346,265)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	87,097
Miscellaneous income	1,063
Decrease in receivables	52,089
Decrease in deferred outflows	759
Increase in net pension asset	(19,265)
Increase in deferred inflows	15,655
Decrease in accounts payable	(459)
Increase in accrued employee leave	<u>2,090</u>
Net cash used by operating activities	<u>\$ (207,236)</u>

The accompanying notes are an integral  
part of these financial statements.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

1. Summary of Significant Accounting PoliciesGeneral Statement

Grainger County Emergency Communications District (the District) is a 911 service which will receive telephone requests for emergency services and provide for the dispatch of appropriate emergency service units. The District is a component unit of another governmental entity. Grainger County, Tennessee is the primary government in whose financial reporting entity Grainger County E-911 is included. The District expects to receive a significant portion of its income from the tax revenues of Grainger County. Also, Grainger County's legislative body approves board members and annual operating contributions to the District.

The criteria for including organizations as component units within a County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County appoints all of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all GASB pronouncements. The more significant accounting policies of the District are described below.

The entity is a proprietary fund type known as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Methods of Accounting

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)1. Summary of Significant Accounting Policies (Continued)Net Position

The District classifies net position into three components – 1) investment in capital assets, 2) restricted for debt service, and 3) unrestricted.

Cash and Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

Budgetary Principles

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the Board. All annual appropriations lapse at fiscal year end. Budgetary control is maintained at the line item level.

The District prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2015, the District had no encumbrances.

Capital Assets

Capital assets owned by the District are recorded at cost, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method.

Use of Estimates

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

Operating and Non-Operating Revenues and Expenses

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)1. Summary of Significant Accounting Policies (Continued)Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 pension of Grainger County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement Systems (TCRS), and additions to/deductions from Grainger County Emergency Communication 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.

Evaluation of Subsequent Events

Management has evaluated subsequent events through November 25, 2015, which is the date the financial statements were available to be issued.

2. Cash and Investments

Cash consisted of the following at June 30, 2015:

Cash in bank	<u>\$576,932</u>
Twenty-four month certificate of deposit, maturing February 27, 2017 with an interest rate of .65%	<u>\$200,000</u>

At June 30, 2015, \$250,000 of the District's deposits is insured by federal depository insurance and the remaining is collateralized by securities pledged to the District and held by a third party in the District's name. Investment policies of the District follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3. Capital Assets

Capital assets, together with annual depreciation and amortization rates, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital assets, being depreciated:					
Communication equipment	\$ 444,801	\$ 6,715	\$ (89)	\$ 451,427	10 - 20%
Building and improvements	8,315	-	-	8,315	
Furniture and fixtures	628	3,354	-	3,982	10%
Other fixed assets	-	-	-	-	10%
Office equipment	9,321	1,342	-	10,663	20%
Vehicles	29,501	-	-	29,501	20%
 Total capital assets, being depreciated	 <u>492,566</u>	 <u>11,411</u>	 <u>(89)</u>	 <u>503,888</u>	
Less accumulated depreciation for:					
Communication equipment	(106,299)	(76,195)	89	(182,405)	
Building and improvements	(4,059)	(1,187)	-	(5,246)	
Furniture and fixtures	(93)	(425)	-	(518)	
Other fixed assets	1	(1)	-	-	
Office equipment	-	(3,388)	-	(3,388)	
Vehicles	(3,933)	(5,901)	-	(9,834)	
 Total accumulated depreciation	 <u>(114,383)</u>	 <u>(87,097)</u>	 <u>89</u>	 <u>(201,391)</u>	
 Total capital assets, being depreciated, net	 <u>378,183</u>	 <u>(75,686)</u>	 <u>-</u>	 <u>302,497</u>	
 Total net capital assets	 <u>\$ 378,183</u>	 <u>\$ (75,686)</u>	 <u>\$ -</u>	 <u>\$ 302,497</u>	

Depreciation charged to expense totaled \$87,097 for the year ended June 30, 2015.

4. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accumulate the following hours of vacation:

<u>YEARS OF SERVICE</u>	<u>EARNED</u>
1 - 2	40 HOURS
3 - 10	80 HOURS
11 - 15	120 HOURS

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)4. Compensated Absences (Continued)

Employees may accrue annual vacation leave up to a maximum of 192 hours. Unpaid vacation leave totaled \$12,935 for the year ended June 30, 2015.

Sick leave is earned by regular full-time employees at the rate of one day per month for a total of twelve (12) days earned per year. Sick leave can be accumulated and carried forward year to year, without any maximum limitation. The employee shall not be paid for accumulated sick leave credit days, but shall be able to count the unused sick leave credit days toward their retirement, to the extent allowed under the rules and regulations under the Tennessee Consolidated Retirement System. It is management's belief that sick leave does not vest, and therefore, no accrual of such leave has been made.

5. 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 purchases commercial insurance for all of these risks of loss. There have been no claims that have exceeded the insurance coverage during the three prior years.

6. Retirement Plan***Plan Description***

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

***Benefits Provided***

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6. Retirement Plan (Continued)**Benefits Provided** (Continued)

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.

**Employees Covered by Benefit Terms**

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>7</u>
	<u>15</u>

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Grainger 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 Grainger County Emergency Communications District were \$5,773 based on a rate of 2.21 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Grainger 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.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6. Retirement Plan (Continued)**Net Pension Liability (Asset)**

Grainger 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 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investments expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

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

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

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:

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	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6. Retirement Plan (Continued)**Actuarial Assumptions** (Continued)

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

**Changes in Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balance at 6/30/13</b>	\$ 189,737	\$ 215,823	\$ (26,086)
<b>Changes for the year:</b>			
Service cost	19,188		19,188
Interest	15,001		15,001
Differences between expected and actual experience	1,356		1,356
Contributions - employer		7,737	(7,737)
Contributions - employees		11,537	(11,537)
Net investment income		35,800	(35,800)
Benefit payments, including refunds of employee contributions	(17,825)	(17,825)	-
Administrative expense		(264)	264
<b>Net changes</b>	<u>17,720</u>	<u>36,985</u>	<u>(19,265)</u>
<b>Balance at 6/30/14</b>	<u>\$ 207,457</u>	<u>\$ 252,808</u>	<u>\$ (45,351)</u>

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6. Retirement Plan (Continued)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

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

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Grainger County Emergency Communications District's Net Pension Liability (Asset)	\$ (638)	\$ (45,351)	\$ (78,827)

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

For the year ended June 30, 2015, Grainger County Emergency Communications District recognized pension expense of \$2,922.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,205	\$ -
Net difference between projected and actual earnings on pension plan investments	-	15,655
Contributions subsequent to the measurement date of June 30, 2014	<u>5,773</u>	<u>n/a</u>
	<u>\$ 6,978</u>	<u>\$ 15,655</u>

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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6. Retirement Plan (Continued)

**Deferred Outflows of Resources and Deferred Inflows of Resources** (Continued)

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

**Year Ended June 30:**

2016	\$ (3,763)
2017	(3,763)
2018	(3,763)
2019	(3,763)
2020	151
Thereafter	453

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

**Payable to the Pension Plan**

At June 30, 2015, Grainger County Emergency Communications District reported a payable of \$ - 0 - for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

7. Cumulative Effect of Change in Accounting Principle

The District restated its beginning net position by reporting a cumulative effect of change in accounting principle as of July 1, 2014 to record the net pension asset of \$26,086 and increase net position by \$26,086 and to record employer contributions made during the year ended June 30, 2014 of \$7,737 and increase net position by \$7,737 in accordance with GASB 68 and GASB 71. The cumulative effect in this change in accounting principle totaled \$33,823.

**REQUIRED SUPPLEMENTARY INFORMATION**

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## RUTLEDGE, TENNESSEE

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 19,188
Interest	15,001
Changes in benefit terms	-
Differences between actual and expected experience	1,356
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(17,825)</u>
<b>Net change in total pension liability</b>	17,720
<b>Total pension liability - beginning</b>	189,737
<b>Total pension liability - ending (a)</b>	<u><u>\$ 207,457</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 7,737
Contributions - employee	11,537
Net investment income	35,800
Benefit payments, including refunds of employee contributions	(17,825)
Administrative expense	<u>(264)</u>
<b>Net change in plan fiduciary net position</b>	36,985
<b>Plan fiduciary net position - beginning</b>	215,823
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 252,808</u></u>
<b>Net pension liability (asset) - ending (a)-(b)</b>	<u><u>\$ (45,351)</u></u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	121.86%
<b>Covered-employee payroll</b>	\$ 230,743
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	-19.65%

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

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS BASED ON  
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

For the Fiscal Year Ended June 30, 2015

	Last Fiscal Year Ending June 30	
	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 7,737	\$ 5,773
Contributions in relation to the actuarially determined contribution	<u>7,737</u>	<u>5,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 230,743	\$ 261,172
Contributions as a percentage covered-employee payroll	3.35%	2.21%

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**

*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:*

<i>Actuarial cost method</i>	Frozen initial liability
<i>Amortization method</i>	Level dollar, closed (not to exceed 20 years)
<i>Remaining amortization period</i>	10 years
<i>Asset Valuation</i>	10-year smoothed within a 20 percent corridor to market value
<i>Inflation</i>	3.0 percent
<i>Salary increases</i>	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
<i>Investment Rate of Return</i>	7.5 percent, net of investment expense, including inflation
<i>Retirement age</i>	Pattern of retirement determined by experience study
<i>Mortality</i>	Customized table based on actual experience including an adjustment for some anticipated improvement
<i>Cost of Living Adjustments</i>	2.5 percent

See independent auditor's report.

## **OTHER SUPPLEMENTARY INFORMATION**

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS\*

June 30, 2015

Description	Project Number	CFDA Number	Balance July 1, 2014 Unexpended (Receivable)	Receipts and Loans Received	Expenditures and Loans Paid	Balance June 30, 2015 Unexpended (Receivable)
Grants:						
Tennessee Emergency Communications Board - Dispatcher Training Allocation	N/A	N/A	\$ -	\$ 5,000	\$ 5,000	\$ -
Tennessee Emergency Communications Board - GIS Allocation	N/A	N/A	-	6,000	6,000	-
Tennessee Emergency Communications Board - Laptops, Printers, Licenses	N/A	N/A	-	23,889	23,889	-
Tennessee Emergency Communications Board - Monthly Recurring Costs	N/A	N/A	-	11,136	11,136	-
Tennessee Emergency Communications Board - Charter Revenue Loss	N/A	N/A	-	10,349	10,349	-
Tennessee Emergency Communications Board - GIS Tips	N/A	N/A	-	29,877	29,877	-
Tennessee Emergency Communications Board - 25% Wireless Distribution	N/A	N/A	(9,821)	31,043	21,222	-
Tennessee Emergency Communications Board - Recurring Operational Funding	N/A	N/A	<u>(23,810)</u>	<u>71,430</u>	<u>47,620</u>	<u>-</u>
Total Grants			<u>\$ (33,631)</u>	<u>\$ 188,724</u>	<u>\$ 155,093</u>	<u>\$ -</u>

\*Schedule is presented on the full accrual basis of accounting.

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 RUTLEDGE, TENNESSEE  
 SCHEDULE OF BUDGET VS. ACTUAL REVENUES AND EXPENSES  
 For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
TECB distribution of 911 surcharges (base amount)	\$ 194,280	\$ 194,280
Emergency telephone 911 surcharges	93,500	50,615
TECB shared wireless charge	37,500	21,222
TECB operational funding	<u>71,400</u>	<u>47,620</u>
Total operating revenues	<u>396,680</u>	<u>313,737</u>
Operating expenses:		
Director	47,500	47,500
Administrative (Bookkeeper)	36,500	36,500
Dispatcher	272,000	245,541
Part-time pay	35,990	29,191
Social security	25,000	22,772
Longevity pay	6,225	6,150
Christmas bonus	4,500	4,500
Medicare	6,300	5,326
Unemployment	2,500	1,502
Medical insurance	45,000	44,544
Life insurance	300	185
Retirement	9,000	2,922
Addressing/mapping expenses	500	169
Advertising	500	-
Audit service	8,000	7,453
Accounting service	400	400
Contract with government agencies	500	-
Contract with private agencies	10,000	5,747
Data processing service	1,500	549
Fees to service providers	28,100	27,071
Fuel - vehicles	3,000	1,207
Maintenance agreements	34,900	34,887
Office equipment lease	1,945	1,044
Maintenance and repairs - communications equipment	3,500	3,482
Maintenance and repairs - office equipment	300	-
Maintenance and repairs - vehicles	1,000	242
Employee testing	400	-
Office supplies	3,500	2,452
Data processing supplies	400	200
Postage	500	416
Small equipment	500	-
Uniforms	3,000	896
Utilities	1,300	867
Utilities - general telephone	9,000	7,337
Utilities - cell phone and pagers	2,000	1,763
Bank charges	100	30
Board meeting expense	200	75
Dues and memberships	1,000	814
Workers compensation insurance	2,400	1,221
Liability insurance	10,250	10,246
Legal notices	300	-
Licenses and fees	605	502
Service awards	2,000	1,330
Surety bonds	1,500	1,445
Public education	6,275	6,274
Training expenses	4,500	1,955
Travel expenses	<u>10,000</u>	<u>6,198</u>
Total operating expenses	<u>644,690</u>	<u>572,905</u>
Operating margin (loss) before depreciation	(248,010)	(259,168)
Depreciation expense	<u>78,000</u>	<u>87,097</u>
Operating margin (loss)	<u>(326,010)</u>	<u>(346,265)</u>
Non-operating income (expense):		
Interest income	1,000	1,787
Contribution from primary government	212,500	212,500
Contributions - municipalities	40,250	40,250
State Emergency Board - grants and reimbursements	70,760	86,251
Miscellaneous income	<u>1,500</u>	<u>1,083</u>
Total non-operating income (expense)	<u>326,010</u>	<u>341,851</u>
Change in net position	<u>\$ -</u>	<u>\$ (4,414)</u>

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2015

Operating expenses:	
Salaries and wages:	
Director	\$ 47,500
Administrative personnel	36,500
Dispatchers	245,541
Part-time personnel	29,191
Christmas bonus	4,500
Longevity pay	6,150
	<u>369,382</u>
Total salaries and wages	
Employee benefits:	
Social security	22,772
Medicare	5,326
Medical insurance	44,544
Unemployment compensation	1,502
Life insurance	185
Retirement contributions	2,922
	<u>77,251</u>
Total employee benefits	
Contracted services:	
Addressing/mapping	169
Audit services	7,453
Accounting services	400
Contract with private agency	5,747
Data processing services	549
Fees paid to service providers	27,071
Maintenance agreements	34,887
Rental/office equipment	1,044
Lease/vehicles	242
Maintenance and repairs - communications equipment	3,482
Fuel - vehicles	1,207
	<u>82,251</u>
Total contracted services	
Supplies and materials:	
Data processing supplies	200
Office supplies	2,452
Postage	416
Uniforms and shirts	896
Utilities	867
Utilities - general telephone	7,337
Utilities - cell phones and pagers	1,763
	<u>13,931</u>
Total supplies and materials	
Other charges:	
Bank charges	30
Dues and memberships	814
Board meeting expenses	75
Insurance - workers compensation	1,221
Insurance - liability	10,246
Licenses and fees	502
Premiums on surety bonds	1,445
Public education	6,274
Service awards	1,330
Training expenses	1,955
Travel expenses	6,198
	<u>30,090</u>
Total other charges	
Total operating expenses	<u>\$ 572,905</u>

See independent auditor's report.

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Grainger County Emergency  
Communications District  
Rutledge, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grainger County Emergency Communications District (the District), a component unit of Grainger 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 November 25, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Knoxville, Tennessee  
November 25, 2015

GRAINGER COUNTY E-911  
GRAINGER COUNTY, TENNESSEE

Summary Schedule of Prior Audit Findings

There were no prior year findings.