

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2016

BLOUNT COUNTY FIRE PROTECTION DISTRICT

Maryville, Tennessee

June 30, 2016

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BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee

INTRODUCTORY SECTION

June 30, 2016

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
SCHEDULE OF PRINCIPAL OFFICERS AND SURETY BOND
June 30, 2016

Commission

Benny Kirby
Larry Graves
Gerald Kirby

OTHER OFFICIALS

Doug McClanahan
Fire Chief
(Surety Bond Coverage - \$5,000)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee

FINANCIAL SECTION

June 30, 2016



Joe S. Ingram, CPA (1948 - 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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INDEPENDENT AUDITORS' REPORT

Commissioners
Blount County Fire Protection District
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Blount County Fire Protection District, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Blount County Fire Protection District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension plan funding progress on pages 4 – 6 and 24 through 26, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blount County Fire Protection District's basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on pages 27 through 30 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on page 1 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 October 11, 2016, on our consideration of the Blount County Fire Protection 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 Blount County Fire Protection District's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
October 11, 2016

BLOUNT COUNTY FIRE PROTECTION DISTRICT

P. O. BOX 4488

MARYVILLE, TN 37802-4488

PHONE 865-983-2133 FAX 865-983-6063

October 11, 2016

Our discussion and analysis of the Blount County Fire Protection District's financial performance provides an overview of the District's activities for the year ended June 30, 2016. Please read it in conjunction with the District's financial statements, as listed in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the District as a whole and present a long-term view of the District's finances.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District and about its activities that help answer this question. These statements include all assets, deferred outflow of resources, liabilities, and deferred inflow of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflow of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of the Blount County Fire Protection District are primarily funded as follows:

	<u>6-30-16</u>	<u>6-30-15</u>
Fire Protection Fees	95.9%	94.8%
State Salary Supplements	.4%	.4%
Donations	1.9%	2.6%
Rent	.1%	.1%
Other Revenues	1.4%	1.7%
Interest Income	.3%	.4%
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the District were \$1,662,269 and \$1,624,260 for the fiscal years ended June 30, 2016 and 2015, respectively. The 2.3% increase was chiefly the result of increased fire operations expenses.

NET POSITION

The analysis below focuses on the net position and changes in net position of the District.

	<u>2016</u>	<u>2015</u>
Current assets	\$ 2,195,380	\$ 1,930,404
Capital assets	1,606,329	1,662,727
Other non-current assets	<u>136,585</u>	<u>192,831</u>
Total Assets	<u>3,938,294</u>	<u>3,785,962</u>
Deferred Outflows of Resources	<u>120,093</u>	<u>44,124</u>
Current liabilities	71,508	77,314
Long-term Obligations	<u>432,577</u>	<u>498,336</u>
Total Liabilities	<u>504,085</u>	<u>575,650</u>
Deferred Inflows of Resources	<u>927,048</u>	<u>911,328</u>
Net Position:		
Net investment in capital assets	1,107,993	1,100,055
Restricted	136,585	-
Unrestricted	<u>1,382,676</u>	<u>1,243,052</u>
Total Net Position	<u>\$ 2,627,254</u>	<u>\$ 2,343,107</u>

Net position of the District increased by 12.1% during the current year. The unrestricted portion, the part that can be used to finance day-to-day operations, increased by 11.2%.

The following focuses on revenues, expenses, and changes in net positions of the District:

	<u>2016</u>	<u>2015</u>
Revenues		
Fire protection fees	\$ 1,879,288	\$ 1,720,569
Other revenues	<u>68,258</u>	<u>64,895</u>
Total Revenues	<u>1,947,546</u>	<u>1,785,464</u>
Expenses		
Fire operations	1,092,110	1,053,957
Station expense	117,417	113,874
Truck and equipment	288,025	298,234
Sales expense	21,997	15,805
Administration	121,692	123,146
Community assistance	<u>21,028</u>	<u>19,244</u>
Total Expenses	<u>1,662,269</u>	<u>1,624,260</u>
Operating Revenue	285,277	161,204
Other Revenue (Expenses)	<u>(1,130)</u>	<u>15,657</u>
Change in Net Position	<u>\$ 284,147</u>	<u>\$ 176,861</u>

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net position ratio demonstrate that the District has not financed its working capital and day's cash with an increased proportion of debt.

FINANCIAL RATIOS (Continued)

The following is a related schedule of ratios.

	<u>2016</u>	<u>2015</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 2,123,872	\$ 1,853,090
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	30.70	24.97
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	522	477
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	7.2%	4.7%

CAPITAL ASSETS

At the fiscal year ended June 30, 2016, the District had \$4,226,405 invested in capital assets as outlined below (a 2.2% increase over the last year)

	<u>2016</u>	<u>2015</u>
Land	\$ 304,593	\$ 304,593
Buildings	868,416	828,324
Equipment and Furniture	3,000,679	2,950,789
Portable Fire Safety Demonstration House	<u>52,717</u>	<u>52,717</u>
Totals	<u>\$ 4,226,405</u>	<u>\$ 4,136,423</u>


DEBT

At the fiscal year end, the District had outstanding notes payable of \$498,336; of this amount \$65,759 is due in the coming fiscal year. At the current rate of retirement all long-term debt will be repaid by July 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Fire Chief of the Blount County Fire Protection District, 2565 East Broadway Ave., Maryville, TN 37804.

Respectively submitted,



Doug McClanahan
Fire Chief

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
STATEMENT OF NET POSITION
June 30, 2016

ASSETS:	
Current Assets:	
Cash	\$ 2,123,239
Prepaid expenses	72,141
Total Current Assets	<u>2,195,380</u>
Property, Plant & Equipment:	
Land.....	304,593
Buildings	868,416
Portable fire safety demonstration house	52,717
Equipment and furniture.....	3,000,679
	4,226,405
Less: Accumulated depreciation.....	<u>(2,620,076)</u>
Net Property, Plant & Equipment	<u>1,606,329</u>
Other Non-Current Assets:	
Net Pension Asset	<u>136,585</u>
Total Assets	<u>3,938,294</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension deferral	<u>120,093</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable.....	5,707
Payroll related benefits payable	42
Current portion of long-term debt	65,759
Total Current Liabilities	<u>71,508</u>
Long-Term Obligations:	
Note Payable	<u>432,577</u>
Total Liabilities	<u>504,085</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Revenue	784,060
Pension deferral	142,988
Total Deferred Inflows of Resources	<u>927,048</u>
NET POSITION:	
Net Investment in Capital Assets	1,107,993
Restricted for pensions.....	136,585
Unrestricted	1,382,676
Total Net Position	<u>\$ 2,627,254</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

OPERATING REVENUES:	
Fire Protection Fees	\$ 1,879,288
State Salary Supplement	8,400
Donations – general public	38,425
Other Revenues	<u>21,433</u>
 Total Operating Revenues	 <u>1,947,546</u>
 OPERATING EXPENSES:	
Fire Operations:	
Salaries	830,933
Payroll Taxes	62,953
Employee Benefits	188,136
Retirement	(3,973)
Supplies	11,634
Training	2,310
Volunteer Expenses	100
Miscellaneous	<u>17</u>
Total Fire Operations	<u>1,092,110</u>
 Station Expense:	
Utilities and Telephone	47,966
Building Maintenance	10,001
Supplies	16,563
Insurance	19,374
Uniforms	5,168
Rent	1,868
Depreciation	<u>16,477</u>
Total Station Expense	<u>117,417</u>
 Truck and Equipment:	
Maintenance	47,576
Radio System Maintenance	1,247
Gas, Oil and Tires	22,422
Vehicle Insurance	53,327
Depreciation	<u>163,453</u>
Total Truck and Equipment	<u>288,025</u>
 Sales Expense:	
Advertising	7,147
Address markers	3,288
Postage	<u>11,562</u>
Total Sales Expense	<u>21,997</u>

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (Continued)
For the Fiscal Year Ended June 30, 2016

OPERATING EXPENSES (Continued):	
Administration:	
Legal and Professional.....	8,656
Office	9,237
Information Technology.....	13,992
Insurance	<u>89,807</u>
Total Administration	<u>121,692</u>
Community Assistance	<u>21,028</u>
Total Operating Expenses.....	<u>1,662,269</u>
NET OPERATING REVENUE	<u>285,277</u>
OTHER REVENUE (EXPENSE)	
Interest Earned	5,971
Rent.....	2,400
Sale of Capital Assets.....	2,178
Interest Expense.....	<u>(11,679)</u>
Total Other Revenue (expense).....	<u>(1,130)</u>
CHANGE IN NET POSITION	284,147
NET POSITION, July 1, 2015	<u>2,343,107</u>
NET POSITION, June 30, 2016	<u>\$ 2,627,254</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Collections from users.....	\$ 1,925,862
Other receipts	68,258
Payments to employees.....	(830,933)
Payments to vendors	<u>(712,808)</u>
 Total Cash Flows Provided By Operating Activities.....	 <u>450,379</u>
 CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets.....	(123,532)
Proceeds from sale of capital assets	2,178
Rents received	2,400
Principal paid on long-term debt	(64,336)
Interest paid.....	<u>(11,679)</u>
 Total Cash Flows Provided (Used) by Capital and Related Financing Activities.....	 <u>(194,969)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>5,971</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS.....	 261,381
 CASH AND CASH EQUIVALENTS - July 1, 2015.....	 <u>1,861,858</u>
 CASH AND CASH EQUIVALENTS - June 30, 2016.....	 <u>\$ 2,123,239</u>
 RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 285,277
Adjustment for non-cash and other items:	
Depreciation	179,930
Changes in assets and liabilities:	
Prepaid expenses	(3,595)
Deferred revenue	46,574
Accounts payable.....	(184)
Payroll related benefits payable.....	(7,045)
Pension deferrals/assets	<u>(50,578)</u>
Cash Flows Provided By Operating Activities.....	<u>\$ 450,379</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. REPORTING ENTITY

The Blount County Fire Protection District was chartered to provide fire protection service to the residents of Blount County, Tennessee excluding the cities of Maryville and Alcoa and the Great Smoky Mountains National Park. The Board of Commissioners consists of three (3) individuals who serve four (4)-year terms. They are appointed by the Blount County Executive.

In June 1991, the Governmental Accounting Standards Board (GASB) issued Statement No. 14 – "The Financial Reporting Entity" – effective for fiscal years beginning after December 15, 1992. GASB 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of a component unit's Board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

In evaluating how to define the government for financial reporting purposes, management has considered the primary government and all potential component units by applying the definitions and the criteria set forth by GASB Statement No. 14, as amended by GASB Statement No. 39.

The financial statements of the District (primary government) provide an overview of the entity based on financial accountability. The primary government consists of all the organizations that make up its legal entity – all funds, departments, and offices that are not legally separate. The District meets the criteria defined for a primary government in GASB No. 14, as amended by GASB Statement No. 39, as follows:

- a. Separate legal standing through legislation authorizing its creation
- b. Fiscally independent of other state and local governments

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to GASB No. 14, as amended by GASB Statement No. 39 for component units, the District has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices, which comprise the District's legally adopted jurisdictions.

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the reporting District as a whole. The statements present the District as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are presented using the economic resources measurement focus as defined below.

The District utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflow of resources (whether current or noncurrent) associated with their activities are reported. The District’s fund equity is classified as net position.

Basis of Accounting

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Allocations of costs such as depreciation are recorded in the financial statements.

D. ASSETS, LIABILITIES, AND EQUITY

Cash

For the purpose of the Statement of Net Position, “cash, including time deposits,” includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less, including restricted assets.

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Capital Assets and Depreciation

In the basic financial statements, property and equipment with an acquisition cost in excess of \$1,000 are accounted for and capitalized as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of capital assets is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 40 years
Machinery and equipment	05 – 20 years

Compensated Absences

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. At June 30, 2016, the District had no liability for compensated absences or accumulated sick leave. Vacation days are required to be used during each fiscal year with no carry-over to future periods.

Equity Classifications

Equity is classified as net position and displayed in two components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consist of equity that is constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation. Restricted assets consist of unspent note proceeds.
- c. Unrestricted – All other equity that does not meet the definition of "restricted" or "net investment in capital assets." However, unrestricted amounts may be reserved by the District's Commissioners.

An expense is first applied to restricted resources and then to unrestricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Operating Revenues/Expenses

Operating revenues and expenses generally result from providing services in connection with the proprietary fund's ongoing operations.

The principal operating revenue of the District is revenue from residential and commercial subscription service whereby a subscription fee is paid to the district to "purchase" fire protection services in the event it is needed. Non subscribers also can receive the same service but are charged for this service at higher predetermined rates.

Non-operating Revenues/Expenses

Non-operating revenues/expenses are all other revenues and expenses not meeting the definition of operating revenues/expenses above. The District's principal non-operating revenues are interest income and rents.

F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a special District, the entity is subject to various federal, state, and local laws and contractual regulations. An analysis of the entity's compliance with significant laws and regulations and demonstration of its stewardship over entity resources follows.

Fund Accounting Requirements

The district complies with all state and local laws and regulations pertaining to its fund accounting requirements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Annual Budget

An annual budget is adopted by the District and approved by the Commissioners. The budget is based on expected expenses and estimated revenue resources. The budgetary basis is the accrual basis of accounting. If changes to estimated amounts become evident during the fiscal year, the Commissioners may amend the budget. All budget items lapse at the end of the fiscal year.

G. PENSIONS

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

NOTE 2 – CASH

In order to provide a safe temporary medium for investment of idle funds, districts are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH (Continued)

Credit Risk – It is the District’s policy to minimize custodial credit risk associated with cash deposits by utilizing financial institutions that issue deposits through the Federal Deposit Insurance Corporation and participate in the Tennessee State Collateral Pool. In addition, other investment credit risk losses are minimized by limiting investments to the safest types of securities.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

All capital assets are valued at historical cost. Depreciation is provided over the assets estimated useful lives using the straight-line basis. Changes in fixed assets and depreciation are as follows:

	Balance <u>6-30-15</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-16</u>	<u>Estimated Useful Life</u>
Nondepreciable Assets:					
Land	\$ 304,593	\$ -	\$ -	\$ 304,593	-
Depreciable Assets:					
Building	828,324	40,092	-	868,416	40 years
Furniture and equipment	2,950,789	83,440	33,550	3,000,679	5 - 10 years
Portable Fire Safety Demonstration House	<u>52,717</u>	<u>-</u>	<u>-</u>	<u>52,717</u>	20 years
Total Depreciable Assets	3,831,830	123,532	33,550	3,921,812	
Accumulated Depreciation	<u>(2,473,696)</u>	<u>(179,930)</u>	<u>(33,550)</u>	<u>(2,620,076)</u>	
Net Depreciable Assets	<u>1,358,134</u>	<u>(56,398)</u>	<u>-</u>	<u>1,301,736</u>	
Total Net Capital Assets	<u>\$1,662,727</u>	<u>\$ (56,398)</u>	<u>\$ -</u>	<u>\$1,606,329</u>	

Depreciation expense for the fiscal year ended June 30, 2016, amounted to \$179,930.

NOTE 4 – LONG-TERM OBLIGATIONS

On July 23, 2013 the District borrowed funds in the amount of \$682,117 in the form of a Revenue Note, Series 2013 to finance the purchase of firefighting trucks and to retire the balance of the Revenue Note, Series 2005. Note principal and interest payments are due in one hundred twenty (120) monthly installments of \$6,335 beginning August 23, 2013. The note bears interest at 2.19%.

Changes in Notes Payable are as follows:

	Balance <u>6-30-15</u>	Note <u>Proceeds</u>	Note <u>Repayments</u>	Balance <u>6-30-16</u>
Revenue Note, Series 2013	\$ 562,672	\$ -	\$ 64,336	\$ 498,336

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – LONG-TERM OBLIGATIONS (Continued)

Debt maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Note Requirement</u>
2017	\$ 65,759	\$ 10,256	\$ 76,015
2018	67,214	8,801	76,015
2019	68,701	7,314	76,015
2020	70,220	5,795	76,015
2021	71,774	4,241	76,015
2021 – 2024	<u>154,668</u>	<u>3,697</u>	<u>158,365</u>
	<u>\$ 498,336</u>	<u>\$ 40,104</u>	<u>\$ 538,440</u>

NOTE 5 – EMPLOYEES’ RETIREMENT PLAN

Plan Description:

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

Benefits Provided:

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

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

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
 Maryville, Tennessee
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Employees Covered by Benefit Terms:

At the measurement date of June 30, 2015, 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	20
Active employees	19
	40

Contributions:

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$44,130 based on a rate of 5.87% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the 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 amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The District’s net pension liability (asset) was measured as of June 30, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
 Maryville, Tennessee
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Actuarial assumptions:

The actuarial assumptions used in the June 30, 2015 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:

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

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

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Discount rate (Continued):

plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
Balance at June 30, 2014	\$ 1,159,119	\$ 1,351,950	\$ (192,831)
Changes for the year:			
Service cost	61,491	-	61,491
Interest	89,898	-	89,898
Differences between expected and actual experience	27,818	-	27,818
Contributions – employer	-	44,130	(44,130)
Contributions – employees	-	37,590	(37,590)
Net investment income	-	42,205	(42,205)
Benefit payments, including refunds of employee contributions	(43,943)	(43,943)	-
Administrative expense	-	(964)	964
Net Changes	<u>135,264</u>	<u>79,018</u>	<u>56,246</u>
Balance at June 30, 2015	<u>\$ 1,294,383</u>	<u>\$ 1,430,968</u>	<u>\$ (136,585)</u>

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

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

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The District’s net pension liability (asset)	\$ 70,688	\$ (136,585)	\$ (305,133)

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
 Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative Pension expense:

For the year ended June 30, 2016, The District recognized negative pension expense of \$(3,973).

Deferred outflows of resources and deferred inflows of resources:

For the year ended June 30, 2016, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,036	\$ 80,680
Net difference between projected and actual earnings on pension plan investments	48,458	62,308
Contributions subsequent to the measurement date of June 30, 2015	<u>46,599</u>	<u>-</u>
Total	<u>\$ 120,093</u>	<u>\$ 142,988</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” 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:		
2017	\$	(15,959)
2018		(15,959)
2019		(15,959)
2020		4,811
2021		(7,303)
Thereafter		(19,127)

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

(Continued)

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Payable to the Pension Plan

At June 30, 2016, The District reported no payable for an outstanding amount of contribution to the pension plan.

NOTE 6 – RISK FINANCING ACTIVITIES

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker’s compensation, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three (3) fiscal years.

NOTE 7 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 11, 2016, which is the date on which the financial statements were issued.

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2016

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

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 66,866	\$ 61,491
Interest	89,593	89,898
Changes in benefit terms	-	-
Differences between actual & expected experience	(100,850)	27,818
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(48,386)	(43,943)
Net change in total pension liability	7,223	135,264
Total pension liability-beginning	1,151,896	1,159,119
Total pension liability-ending (a)	<u>\$ 1,159,119</u>	<u>\$ 1,294,383</u>
Plan fiduciary net position		
Contributions – employer	\$ 49,721	\$ 44,130
Contributions – employee	36,082	37,590
Net investment income	189,645	42,205
Benefit payments, including refunds of employee contributions	(48,386)	(43,943)
Administrative expense	(736)	(964)
Net change in plan fiduciary net position	226,326	79,018
Plan fiduciary net position – beginning	1,125,624	1,351,950
Plan fiduciary net position – ending (b)	<u>\$ 1,351,950</u>	<u>\$ 1,430,968</u>
Net Pension Liability (asset)-ending (a) – (b)	<u>\$ (192,831)</u>	<u>\$ (136,585)</u>
Plan fiduciary net position as a percentage of total pension liability	116.64%	110.55%
Covered-employee payroll	\$ 721,642	\$ 751,789
Net Pension liability (asset) as a percentage of covered employee payroll	(26.72)%	(18.17)%

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 49,721	\$ 44,124	\$ 46,599
Contributions in relation to the actuarially determined contribution	<u>49,721</u>	<u>44,124</u>	<u>46,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 721,642	\$ 751,789	\$ 793,857
Contributions as a percentage covered – employee payroll	6.89%	5.87%	5.87%

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.

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 24-25
For the Fiscal Year Ended June 30, 2016

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	2 years
Asset valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
SUPPLEMENTAL INFORMATION
June 30, 2016

BLOUNT COUNTY FIRE PROTECTION DISTRICT

Maryville, Tennessee

SCHEDULE OF INSURANCE IN FORCE AND BONDS ON PRINCIPAL OFFICIALS

June 30, 2016

<u>Company</u>	<u>Agent</u>	<u>Policy Number</u>	<u>Period of Coverage</u>		<u>Description</u>
			<u>From</u>	<u>To</u>	
Riverport Insurance Company	Berkley, Assigned Risk Services	WC-41-92-024942-03	11-8-15	11-8-16	Statutory Worker's Compensation: \$100,000 each employee \$100,000 each accident \$500,000 policy limit
American Alternative Insurance Corporation	VFIS	VFIS-CM-1059580-03/000	11-8-15	11-8-16	Automobile Liability: I. Liability - \$1,000,000 each accident; minus deductible II. Uninsured motorist - \$1,000,000 each accident III. Property damage - Agreed value, actual cash value or cost of repairs, whichever is less, no deductible.
American Alternative Insurance Corporation	VFIS	VFIS-TR-20666669-03/000	11-8-15	11-8-16	Building and Contents: I. Building - \$1,701,609 with \$250 deductible II. Contents - \$305,655 with \$250 deductible General Liability: Aggregate - \$2,000,000 Products - \$2,000,000 Personal Injury and advertising injury - \$1,000,000 Each occurrence - \$1,000,000 Fire damage - \$1,000,000, any one fire Medical - \$5,000, any one person
American Alternative Insurance Corporation	VFIS	VFIS-TR-20666669-03/000	11-8-15	11-8-16	Management Liability: - \$2,000,000 aggregate limit \$1,000,000 each wrongful act Employee dishonesty - \$10,000 limit, no deductible
American Alternative Insurance Corporation	VFIS	VFIS-TR-20666669-03/000	11-8-15	11-8-16	Commercial Umbrella: \$1,000,000 each occurrence \$2,000,000 products \$2,000,000 aggregate

BLOUNT COUNTY FIRE PROTECTION DISTRICT
 Maryville, Tennessee
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
 June 30, 2016

	FIXED ASSETS			ACCUMULATED DEPRECIATION			Net Book Value		
	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Balance July 1, 2015	Additions		Retirements	Balance June 30, 2016
Land	\$ 304,593	\$ -	\$ -	\$ 304,593	\$ -	\$ -	\$ -	\$ -	\$ 304,593
Buildings	828,324	40,092	-	868,416	223,701	16,477	-	240,178	628,238
Portable Fire Safety Demonstration House	52,717	-	-	52,717	30,971	2,636	-	33,607	19,110
Equipment and Furniture	2,950,789	83,440	(33,550)	3,000,679	2,219,024	160,817	(33,550)	2,346,291	654,388
Total	\$ 4,136,423	\$ 123,532	\$ (33,550)	\$ 4,226,405	\$ 2,473,696	\$ 179,930	\$ (33,550)	\$ 2,620,076	\$ 1,606,329

BLOUNT COUNTY FIRE PROTECTION DISTRICT
 Maryville, Tennessee
SCHEDULE OF NOTES PAYABLE
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
 June 30, 2016

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Note Requirements</u>
2017	65,759	\$ 10,256	\$ 76,015
2018	67,214	8,801	76,015
2019	68,701	7,314	76,015
2020	70,220	5,795	76,015
2021	71,774	4,241	76,015
2022	73,361	2,654	76,015
2023	74,984	1,031	76,015
2024	<u>6,323</u>	<u>12</u>	<u>6,335</u>
	<u>\$ 498,336</u>	<u>\$ 40,104</u>	<u>\$ 538,440</u>

BLOUNT COUNTY FIRE PROTECTION DISTRICT
 Maryville, Tennessee
SCHEDULE OF RATES AND NUMBER OF CUSTOMERS
 June 30, 2016

Single dwelling (house or trailer)	\$ 120.00
Two dwellings (house or trailer)	240.00
Three or More (house or trailer) each	92.50
Barn, Storage Buildings (each)	15.00
Over Twenty Acres	15.00
Vacant Land (no structures)	75.00
Apartment Building (each unit)	55.00
Individuals living or traveling through response area, but do not own real estate	25.00
Commercial property small business	Requires evaluation

NON-SUBSCRIBER RATES – PER HOUR OR ANY PART THEREOF
 (Time starts at time of dispatch or notification and ends at available time.)

RESIDENTIAL

Residential Structure Fire House, Trailer, Garage, Barn, Storage	2,000.00
Investigation: Non-Emergency (One engine and Two Firefighters)	500.00
Investigation and Fire Alarms (Emergency Response) No water used	1,500.00
Carbon Monoxide Check (Non-Emergency)	500.00
Brush Fire	1,000.00
Power Line Problems	500.00
Vehicle Fire	1,000.00
Wreck-Stand-By	1,000.00
Extrication-Rescue	1,000.00
Other – Non Classified Response	1,000.00

COMMERCIAL

Commercial Fires Investigation or Alarm (No water used)	3,000.00 2,500.00
Investigation: Non-Emergency (One Engine and Two Firefighters)	500.00
Hazardous Material Response (Minimum charge per response)	3,000.00
Active gas leak LP Gas or Natural Gas	2,500.00

Number of customers at June 30, 2016: 12,573

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee

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

June 30, 2016



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

Commissioners
Blount County Fire Protection District
Maryville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Blount County Fire Protection District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Blount County Fire Protection District's basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-01.

The District's Response to Findings

The Blount County Fire Protection 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 subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ingram, Overholt & Bean, P C

Alcoa, Tennessee

October 11, 2016

BLOUNT COUNTY FIRE PROTECTION DISTRICT
Maryville, Tennessee
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016

COMPLIANCE AND OTHER MATTERS FINDINGS:

2016-01

FINDING:

As required by Tennessee Code Annotated Section 9-18-102(a), the District has not established written Internal Control Policies and Procedures.

RECOMMENDATION:

We recommend that the District prepare written Internal Control Policy and procedures. Every system of internal control must include the five components of internal control: a) Control Environment; b) Risk Assessment; c) Control Activities; d) Information and Communication; and e) Monitoring. The Tennessee Division of Local Government Audit has established an Internal Control and Compliance Manual based on the GAO Green Book. This can aid the District in preparing its own internal control policies and procedures.

MANAGEMENT'S RESPONSE:

The District will comply with the recommendation.