HAWKINS COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
FINANCIAL STATEMENTS
June 30, 2014

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
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HAWKINS COUNTYEMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
June 30, 2014

BOARD MEMBERS:

Andrew Bradley
Jim Klepper
Gary Murrell
Daniel Boyd
Robert Palmer
Ronnie Lawson
Johnny Gulley
Gary Lawson
Larry Wheeler

MANAGEMENT OFFICIALS

DIRECTOR:	Rita Gay Murrell
CHAIRMAN:	Robert Palmer
V-CHAIRMAN:	Ronnie Lawson
SECRETARY:	Gary Murrell
TREASURER:	Jim Klepper

DAVID M. ELLIS
Certified Public Accountant

Member, American Institute of Certified Public Accountants

Member, Tennessee Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hawkins County Emergency Communications District
2291 East Main Street
Rogersville, Tennessee 37857

Report on the Financial Statements

I have audited the accompanying financial statements of Hawkins County Emergency Communications District (the District), a component unit of Hawkins County, Tennessee, as of and for the year ended June 30, 2014, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hawkins County Emergency Communications District (a component unit of Hawkins County, Tennessee), as of June 30, 2014, and the changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Leighton House • 132 Depot Street West • Greeneville, Tennessee 37743
(423) 787-0855 • Fax (423) 639-0124

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the management's discussion and analysis and the schedule of funding progress on pages 4-6 and page 18, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hawkins County Emergency Communications District's basic financial statements. The roster of board members and management officials, budgetary comparison schedule and the schedule of state financial assistance on page 1 and pages 19-21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison schedule and the schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The roster of board member and management officials has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 20, 2014, on my consideration of Hawkins County Emergency Communications District's internal control over financial reporting and on my 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 my 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 Hawkins County Emergency Communications District's internal control over financial reporting and compliance.

David M. Ellis

David M. Ellis, CPA

October 20, 2014

Management's Discussion and Analysis

As management of the Hawkins County Emergency Communications District (the District), a component unit of Hawkins County, Tennessee, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. Please note the District presents prior comparative financial information when available.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $637,900 (net position). Of this amount, $225,371 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported ending net position of $637,900, an increase of $153,337 in comparison with the prior year.

Overview of the Annual Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one fund, a proprietary fund, which is considered to be an enterprise fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 12 through 17 of this report.

Financial Analysis of the District's Funds

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

Hawkins County Emergency Communications District
Statement of Net Position

	2013	2014
Current and other assets	$ 340,748	$ 257,579
Capital assets	1,014,972	1,014,972
Total Assets	$ 1,355,720	$ 1,319,865

Current liabilities	$ 217,372	$ 85,896
Long-term liabilities	653,785	596,069
Total Liabilities	871,157	871,157
Net Position:		
Invested in capital assets	306,768	412,529
Unrestricted	177,795	225,371
Total Liabilities and Net Position	$ 1,355,720	$ 1,319,865

The increase in capital assets was the result of upgrade in communications equipment (next generation 911 Zetron).

The balance of unrestricted net position, $225,371, may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report a positive balance in the net position category.

The District's net position increased by $153,337 during the current fiscal year.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The following is a summary of financial activities for the District during the fiscal year ended June 30, 2014:

Hawkins County Emergency Communications District
Statement of Revenues, Expenses, and Changes in Net Position

	2014	2013
Revenues:		
Operating Revenues:		
Charges for services	$ 543,417	$ 640,770
Non-Operating Revenues:		
Government appropriations	175,000	216,071
Other	299,408	221,975
Interest income	25	8
Total Revenues	1,017,850	1,078,824
Total Expenses	864,513	785,126
Change in Net position	153,337	293,698
Beginning Net Position	484,563	190,865
Ending Net Position	$ 637,900	$ 484,563

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one fund, a proprietary fund, which is considered to be an enterprise fund.

Budgetary Highlights

There were budget amendments to the original budget.

Capital Asset Administration

The District's investment in capital assets for its activities as of June 30, 2014, amounts to $1,066,286 (net of accumulated depreciation). This investment in capital assets includes asset categories listed below.

Hawkins County Emergency Communications District's Capital Assets

	2014	2013
Furniture and fixtures	$ 13,998	$ 12,300
Vehicles	15,500	15,500
Office Equipment	12,209	9,721
Land	126,314	126,314
Building	553,601	553,601
Communications system	1,100,894	858,0587
Total capital assets	$ 1,822,516	$ 1,575,493

Additional information on the District's capital assets can be found in Note 3 on pages 13 and 14 of this report.

Debt

At the fiscal year end June 30, 2014, the District had outstanding notes payable of $653,756. Principal repayments in the amount of $57,716 were made during the current fiscal year. Principal amounts due in the coming fiscal year amount to $57,687.

Economic Factors and Next Year's Budget and Rates

Appropriations from Hawkins County increased during the fiscal year 2014. These factors were considered in preparing the District's budget for the year.

Requests for Information

This financial report is designed to provide a general overview of the Hawkins County Emergency Communications District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hawkins County Emergency Communications District, 2291 E. Main Street, Rogersville, TN 37857

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

ASSETS		
Current Assets		
Cash and equivalents	$ 178,064	
Accounts receivable	72,178	
Prepaid expenses	3,337	
Total Current Assets		$ 253,579
Capital Assets		
Capital Assets not being depreciated		
Land	126,314	
Capital Assets net of accumulated depreciation		
Building and improvements	483,277	
Communications equipment	444,451	
Office equipment	9,595	
Furniture and fixtures	2,649	
Total Capital Assets		1,066,286
Total Assets		1,319,865
LIABILITIES		
Current Liabilities		
Accounts payable	4,502	
Accrued payroll	19,003	
Compensated absences payable	5,750	
Notes payable - current portion	56,641	
Total Current Liabilities		85,896
Non-current Liabilities		
Notes payable -	596,069	
Total Non-current Liabilities		596,069
Total Liabilities		681,965
NET POSITION		
Net investment in capital assets	412,529	
Unrestricted	225,371	
Total Net Position		$ 637,900

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

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2014

Operating Revenues		
Emergency telephone service charge	$ 216,239	
Tennessee Emergency Comm. Board - Shared wireless charge	138,262	
Tennessee Emergency Comm. Board- Operational funding	188,916	
Total Operating Revenues		$ 543,417
Operating Expenses		
Salaries and wages	481,414	
Employee benefits	116,067	
Addressing/mapping	11,320	
Advertising	57	
Audit services	8,500	
Custodial supplies	974	
Dues and subscriptions	1,697	
Insurance	18,419	
Internet charges	2,500	
Legal services	2,000	
Maintenance agreements	2,175	
Maintenance and repairs - Buildings and facilities	6,050	
Maintenance and repairs - Office equipment	4,707	
Maintenance and repairs - Vehicle	2,302	
NCIC/TBI/TIES fees	2,349	
Office/general supplies	5,931	
Postage	146	
Small equipment	7,187	
Training	4,559	
Travel	4,298	
Uniforms	500	
Utilities - General telephone	59,509	
Utilities - Water and sewer	461	
Utilities - Electric	8,650	
Depreciation	81,285	
Other	3,251	
Total Operating Expenses		836,308
Operating Loss		$ (292,891)

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

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2014

Non-Operating Revenues and (Expenses)		
Contributions from other governments and agencies	$ 293,888	
Contributions from primary government	175,000	
Interest income	25	
Miscellaneous income	5,520	
Interest expense	(28,205)	
Total Non-Operating Revenues		$ 446,228
Change in Net Position		153,337
Net Position June 30, 2013		484,563
Net Position June 30, 2014		$ 637,900

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

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014

Cash Flows from Operating Activities	
Cash received from surcharges and other revenues	$ 549,987
Cash payments for payroll, taxes and related benefits	(608,010)
Cash payments to suppliers for goods and services	(166,289)
Net Cash Used by Operating Activities	(224,312)
Cash Flows from Non-Capital Financing Activities	
Contributions from primary government	175,000
Grants/reimbursements TECB	293,888
Net Cash Provided by Non-Capital Financing Activities	468,888
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(247,023)
Principal paid on notes payable	(55,492)
Interest paid on notes payable	(28,205)
Net Cash Used by Capital and Related Financing Activities	(330,720)
Cash Flows from Investing Activities	
Interest income received	25
Net Cash Provided from Investing Activities	25
Net Increase in Cash and Equivalents	(86,119)
Cash and Equivalents, Beginning of Year	264,183
Cash and Equivalents, End of Year	$ 178,064

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

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Income (Loss)	$ (292,891)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities	
Depreciation	81,285
Miscellaneous income	5,520
(Increase)/Decrease in receivables	1,048
Increase/(Decrease) in accounts payable	(8,746)
Increase/(Decrease) in accrued liabilities	(10,528)
Net Cash Used by Operating Activities	$ (224,312)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creation of Hawkins County Emergency Communications District (a component unit of Hawkins County, Tennessee (the District) was approved in a countywide referendum in August 1990. In accordance with Chapter 86 of the Tennessee Code Annotated, members of the District's Board of Directors were appointed by the Hawkins County Commission. Customer surcharges were initiated, collected and remitted by telephone companies serving Hawkins County soon thereafter.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The financial statements of Hawkins County Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* (GASB). The financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flow. When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first.

The District uses the full accrual basis of accounting. Under this accounting basis, revenues are recognized when earned and expenses are recorded when incurred, if measurable.

Reporting Entity
Hawkins County Emergency Communications District is a discretely presented component unit of the county government of Hawkins County, Tennessee. Per T.C.A. 7-86-114, the District cannot "issue its negotiable bonds, notes and debt obligations for lease and/or lease purchases in anticipation of the collection of revenues for the purpose of constructing, acquiring, reconstructing, improving, bettering or expanding any facility or service authorized by this chapter or any combination thereof, and to pledge to the payment of the interest and principal of such bonds, notes or debt obligations all or any part of the revenues derived from the operation of such facility, service or combination thereof without the approval of the legislative body of Hawkins County."

Capital Assets
Capital Assets are defined by the District as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of one year. Capital Assets are accounted for at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Building	40 Years
Equipment, Furniture & Fixtures	5 to 7 Years
Vehicles	5 Years

Compensated Absences
The District allows employees to accumulate unlimited sick leave at the rate of eight hours per month or twelve days per year. Unused vacation days (180 hours maximum) are redeemable for cash or may be accumulated. Unused sick days will not be paid upon early termination. However, sick days may be accumulated and taken as early time off prior to an employee's normal retirement. Since the employee's accumulating rights to receive compensation are contingent upon the absences being caused by future illnesses and since such amounts cannot be reasonably estimated, a liability for unused sick days is not recorded in the financial statements.

Cash and Cash Equivalents
The District includes cash and cash equivalents in the presentation of the Statement of Cash Flows. Cash equivalents for this purpose are highly liquid investments with an original maturity of three months or less when purchased.

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

Budgets and Budgetary Accounting
The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Formal budgets are adopted and approved by the Board of Directors vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board of Directors has the ability to change line item amounts without a formal vote if the change does not increase the amounts budgeted.
b. The budget amounts shown (page 19) are the final authorized amounts as amended during the year.

The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts establishes the legal budget level of control to be at the line-item level.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Tennessee or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Tennessee or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks, domiciled in Tennessee, that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date. Cash (all in checking account was covered by FDIC insurance or the Tennessee Collateral Pool. There were no certificates of deposit.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Property, plant and equipment and estimated useful lives used for depreciation purposes consisted of the following at June 30, 2013:

	2013	ADDITIONS	DELETIONS	2014	ESTIMATED USEFUL LIFE
Capital assets, not being depreciated:					
Land	$ 126,314	$ 0	$ 0	$ 126,314	
Capital assets, being depreciated:					
Building	$ 553,601	$ 0	$ 0	$ 553,601	40 years

Furniture & Fixtures	12,300	1,698	0	13,998	5 years
Vehicles	15,500	0	0	15,500	5 years
Office Equipment	9,721	2,488	0	12,209	5 years
Communications System	858,057	242,837	0	1,100,894	5-10 years
Total depreciable assets:	1,449,179	247,023	0	1,696,202	
Less Accumulated Depreciation:					
Building	$ 56,484	$ 13,840	$ 0	$ 70,324	
Furniture & Fixtures	3,052	2,914	0	5,966	
Vehicles	15,500	0	0	15,500	
Office Equipment	6,320	1,677	0	7,997	
Communications System	593,589	62,854	0	656,443	
Total Accumulated Depreciation:	674,945	81,285	0	756,230	
Net Capital Assets	$ 900,548	$ 165,738	$ 0	$ 1,066,286	

NOTE 4 - ECONOMIC DEPENDENCY

Tennessee state law mandates collection of a surcharge by telephone companies from their customers to fund established E-911 agencies. Hawkins County Emergency Communications District received approximately 21% of its total revenue from surcharges collected by Embarq and AT&T. Another $327,178 or 32%, comes from the State Emergency Communications Board from cellular telephone charges and grants. These revenues are insufficient to pay the costs of District operations. For the agency to function, it also depends on appropriations from the county, which this year amounted to $175,000, or 17%, of total (operating and non-operating) revenues.

NOTE 5 - RISK MANAGEMENT

Significant losses in the areas of employee health, accident, general liability, errors and omissions and auto liability are covered through commercial insurance policies. There have been no reductions in coverage, and settlement amounts have not exceeded insurance coverage for the current year or three prior years.

NOTE 6 - EMPLOYEE'S RETIREMENT PLAN

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee

Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hawkins County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://www.tn.gov/treasury/tcrs/PS/.

Funding Policy
Hawkins County Emergency Communication District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 4.19% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost
For the year ending June 30, 2014, the District's annual pension cost of $17,338 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hawkins County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 1 year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$ 17,338	100.00%	$0.00
June 30, 2013	$ 14,160	100.00%	$0.00
June 30, 2012	$ 21,946	100.00%	$0.00

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.80 percent funded. The actuarial accrued liability for benefits was $0.60 million, and the actuarial value of assets was

$0.58 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.37 million, and the ratio of the UAAL to the covered payroll was 6.84 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

NOTE 7 - EQUIPMENT RENTAL

The District rents equipment from telephone companies for use in daily operations. These rents are paid on a month-to-month basis with no minimum requirements, no terms and no buy-out provisions.

NOTE 8 - LONG-TERM LIABILITES

On June 24, 2013, the District borrowed funds in the amount of $320,000 from First Tennessee Bank to finance communications equipment. Note principal and interest payments are due in monthly installments of $4,383. This note bears a 4.056% interest rate payable monthly for seven years through 2020. The District made principal payments of $40,815 and interest payments of $11,781 during the year. Balance at year-end is $279,185, with $42,025 being classified as current.

One June 24, 2013, the District borrowed funds in the amount of $380,000 from First Tennessee Bank to re-finance existing building loan. Note principal and interest payments are due in monthly installments of $2,417.58. This note bears a 4.563% interest rate payable monthly for twenty years through 2033. The District made principal payments of $12,593 and interest payments of $16,418 during the year. Balance at year-end is $367,407 with $12,474 being classified as current.
Changes in outstanding long-term debt for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due within One Year
Building Note	$ 380,000	$ 0	$ 12,593	$ 367,407	$ 12,474
Equipment Note	320,000	0	40,814	279,184	42,025
Capital Lease-Note 9	8,204	0	2,085	6,119	2,142
Total	$708,204	$ 0	$ 55,492	$ 652,710	$ 56,641

Scheduled principal and interest payments for the next five years and in the aggregate on the above notes:

	Principal	Interest
2015	$ 56,642	$ 27,104
2016	58,959	24,786
2017	61,068	22,369
2018	61,753	19,849
2019	64,381	17,222
2020 - 2024	136,928	60,223
2025 – 2029	107,953	37,101
2030 - 2033	105,026	10,121
Total	$ 652,710	$ 218,775

NOTE 9 - CAPITAL LEASES

The District leases a copy machine from LEAF under a capital lease. The economic substance of the lease is that the District is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the District's assets and liabilities. The leased asset is included in Furniture and Fixtures.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 20, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	$576	$602	$25	95.80%	$370	6.84%
July 01, 2011	$476	$480	$4	99.21%	$315	1.21%
July 01, 2009	$321	$325	$4	98.72%	$325	1.28%

SUPPLEMENTARY INFORMATION

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE UNDER (OVER)
Operating Revenues				
Emergency telephone service charge	$ 379,007	$ 379,007	$ 216,239	$ 162,768
TECB - Shared wireless charge	131,201	131,201	138,262	(7,061)
TECB - Operational funding	188,856	188,856	188,916	(60)
Total Operating Revenues	699,064	699,064	543,417	155,647
Operating Expenses				
Salaries and wages				
Director	44,200	44,280	43,670	610
Administrative personnel	22,360	20,215	20,215	-
Dispatchers	197,566	240,569	231,926	8,643
Part-time personnel	54,054	31,807	31,807	-
Data processing personnel	20,280	18,502	18,502	-
Other salaries and wages	60,000	99,215	135,294	(36,079)
Total salaries and wages	398,460	454,588	481,414	(26,826)
Employee benefits				
Social security	25,000	25,000	30,608	(5,608)
Medicare	6,000	6,000	6,861	(861)
State unemployment	2,150	2,150	1,977	173
Medical benefits	90,000	45,000	58,827	(13,827)
Retirement contribution	17,500	17,500	17,338	162
Total employee benefits	140,650	95,650	115,611	(19,961)
Contracted services				
Accounting services	2,500	-	-	-
Addressing/mapping	18,000	15,320	11,320	4,000
Administrative - service charges	-	1,000	907	93
Advertising	200	60	57	3
Audit services	7,500	8,500	8,500	-
Maintenance agreements	2,500	2,500	2,175	325
Janitorial services	3,330	3,860	3,660	200
Legal services	6,000	6,000	2,000	4,000
NCIC/TBI/TIES	3,800	3,800	2,349	1,451
Lease/rental - office equipment	3,322	4,250	2,000	2,250
Maintenance and repairs - communications equipment	6,495	2,725	2,707	18
Maintenance and repairs - buildings and facilities	2,200	2,410	2,390	20
Maintenance and repairs - vehicles	250	770	758	12
Fuel - vehicles	2,000	1,600	1,543	57
Other contracted services	400	-	-	-
Total contracted services	58,497	52,795	40,366	12,429
Supplies and materials				
Office supplies	2,500	2,550	2,530	20
Custodial supplies	850	1,005	974	31
Postage	200	150	146	4
Small equipment	3,000	9,300	7,187	2,113
Miscellaneous supplies	2,500	3,400	3,401	(1)
Uniforms and shirts	500	500	500	-
Utilities - electric	7,000	7,625	7,623	2

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

Utilities - gas	1,100	1,100	1,026	74
Utilities - water	400	475	461	14
Utilities - general telephone	59,237	56,814	56,814	-
Utilities - cell phones and pagers	2,600	2,700	2,695	5
Total supplies and materials	79,887	85,619	83,357	2,262
Other Charges				
Dues & subscriptions	3,000	1,750	1,697	53
Training	3,000	5,400	4,559	841
Travel	3,000	4,250	4,298	(48)
Insurance	19,236	18,711	18,419	292
Licenses and fees	-	2,300	2,145	155
Internet charges	2,500	2,650	2,500	150
Other charges	500	1,000	657	343
Total other charges	31,236	36,061	34,275	1,786
Depreciation				
Depreciation	63,000	63,000	81,285	(18,285)
Total depreciation	63,000	63,000	81,285	(18,285)
Total Operating Expenses	771,730	787,713	836,308	(48,595)
Operating income (loss)	(72,666)	(88,649)	(292,891)	204,242
Nonoperating revenue and (expenses)				
Contributions from primary government	175,000	175,000	175,000	-
TECB - grans and reimbursements	52,000	52,000	293,888	241,888
Interest income	-	-	25	25
Contracted services	3,500	3,500	-	(3,500)
Miscellaneous income	3,500	3,500	5,520	2,020
Interest expense	(89,183)	(28,250)	(28,205)	45
Total nonoperating revenue and (expenses)	144,817	205,750	446,228	240,478
Increase (Decrease) in Net Position	$ 72,151	$ 117,101	$ 153,337	$ 36,236
Net Position-Beginning of Period	261,480	282,471	484,563	
Net Position - End of Period	$ 333,631	$ 399,572	$ 637,900	

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2014

Grantor	Grant Number	Beginning (Accrued) Deferred	Receipts	Expenditures	Ending (Accrued) Deferred
Tennessee Emergency Communications Board Training Reimbursement Program	N/A	$ -	$ 12,000	$ 12,000	$ -
Tennessee Emergency Communications Board NG911 Controller and/or Adjunct Equipment	N/A	114,424	-	114,424	-
		$ 114,424	$ 12,000	$ 126,424	$ -

DAVID M. ELLIS
Certified Public Accountant

Member, American Institute of Certified Public Accountants

Member, Tennessee Society 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*

To the Board of Directors
Hawkins County Emergency
Communications District
2291 East Main Street
Rogersville, Tennessee 37857

I 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 Hawkins County Emergency Communications District (the District), a component unit of Hawkins County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hawkins County Emergency Communications District's basic financial statements and have issued my report thereon dated October 20, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkins County Emergency Communications District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2011-02.

Leighton House • 132 Depot Street West • Greeneville, Tennessee 37743
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Hawkins County Emergency Communications District's Response to Findings

Hawkins County Emergency Communications District's response to the findings identified in my audit is described in the accompanying schedule of findings and recommendations. Hawkins County Emergency Communications District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

David M. Ellis, CPA
Greeneville, Tennessee
October 20, 2014

HAWKINS COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2014

Prior Year Findings:

2011-02 Actual Expenses over Budgeted Amounts:

Condition: Actual expenses of some line items were more than budgeted amounts.

Criteria: Tennessee Code Annotated 7-86-120 requires emergency communications districts to adopt and operate under an annual budget. Expenses must be presented at the legal level of control, which is defined to be at the line item level.

Effect: The district may spend money that has not been budgeted.

Recommendation: The district should review and amend the budget prior to expenditures.

Management's Comments: The board will review and amend the budget at the meeting prior to year end.

Update: - Finding 2011-02 continues to apply.