

**HAWKINS COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
FINANCIAL STATEMENTS
June 30, 2015**

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
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**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
June 30, 2015**

BOARD MEMBERS:

Andrew Bradley
Jim Klepper
Gary Murrell
Robert Palmer
Ronnie Lawson
Larry Wheeler
Beth Metz
Larry Frost

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

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, which comprise the statement of net position as of June 30, 2015, and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 includes 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 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

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 in the first paragraph present fairly, in all material respects, the financial position of Hawkins County Emergency Communications District as of June 30, 2015, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 11, the District has adopted the provisions of Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has an effective date of June 30, 2015. My opinion is not modified with respect to this matter.

Emphasis of Matter

I draw attention to Note 11 to the financial statements, which describes a restatement to the beginning net position totaling \$17,942. This restatement was necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. My opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 7 and the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 23 and 25 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. 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 financial statements and other knowledge I obtained during my audit of the 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 financial statements. The statement of revenue and expenses – actual and budget as well as the roster of board members and management officials are presented for purposes of additional analysis and are not a required part of these financial statements.

The statement of revenue and expenses – actual and budget and the roster of board members and management officials is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the statement of revenue and expenses – actual and budget is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated January 7, 2016, 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, CPA
Greeneville, TN 37743
January 7, 2016

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, 2015. 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 \$652,141 (net position). Of this amount, \$171,502 (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 \$652,141, an increase of \$32,183 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 14 through 23 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 Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 227,785	\$ 257,579
Noncurrent Asset (Net Pension Asset)	30,510	0
Capital assets (Net of Accumulated Depreciation)	<u>1,076,747</u>	<u>1,014,972</u>
Total Assets	<u>\$ 1,335,042</u>	<u>\$ 1,319,865</u>

Deferred Outflows of Resources	<u>15,814</u>	<u>0</u>
Current liabilities	\$ 108,261	\$ 85,896
Long-term liabilities	<u>537,149</u>	<u>596,069</u>
Total Liabilities	<u>645,410</u>	<u>871,157</u>
Deferred Inflows of Resources	<u>53,305</u>	<u>0</u>
Net Position:		
Invested in capital assets	480,639	412,529
Unrestricted	<u>171,502</u>	<u>207,429</u>
Total Outflows, Liabilities and Net Position	<u>\$ 1,335,042</u>	<u>\$ 1,319,865</u>

The increase in capital assets was the result of upgrade in communications equipment and furniture.

The balance of unrestricted net position, \$171,502, 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 \$32,183 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, 2015:

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

	<u>2015</u>	<u>2014</u>
Revenues:		
Operating Revenues:		
Charges for services	\$ 615,962	\$ 543,417
Non-Operating Revenues:		
Primary Government appropriations	175,000	175,000
Government Contributions	219,796	293,888
Miscellaneous income	<u>10,560</u>	<u>5,545</u>
Total Revenues	1,021,318	1,017,850
Total Expenses	<u>989,135</u>	<u>864,513</u>
Change in Net position	32,183	153,337
Beginning Net Position – Restated	<u>619,958</u>	<u>484,563</u>

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, 2015, amounts to \$1,076,747 (net of accumulated depreciation). This investment in capital assets includes asset categories listed below.

Hawkins County Emergency Communications District’s Capital Assets

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 60,788	\$ 8,032
Vehicles	32,004	0
Office Equipment	1,770	4,212
Land	126,314	126,314
Building	469,437	483,277
Communications system	<u>386,434</u>	<u>444,451</u>
Total capital assets	<u>\$ 1,076,747</u>	<u>\$ 1,066,286</u>

Additional information on the District’s capital assets can be found in Note 3 on page 16 of this report.

Debt

At the fiscal year end June 30, 2015, the District had outstanding notes payable of \$596,108. Principal repayments in the amount of \$56,603 were made during the current fiscal year. Principal amounts due in the coming fiscal year amount to \$58,959.

Economic Factors and Next Year’s Budget and Rates

Appropriations from Hawkins County increased during the fiscal year 2015. 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, 2015**

ASSETS		
Current Assets		
Cash and equivalents	\$ 218,502	
Prepaid expenses	<u>9,283</u>	
Total Current Assets		\$ 227,785
Capital Assets		
Nondepreciable Capital Assets		
Land	<u>126,314</u>	
Total Nondepreciable Capital Assets	126,314	
Depreciable Capital Assets		
Building and improvements	553,601	
Communications equipment	607,768	
Furniture and fixtures	64,535	
Office Equipment	25,268	
Vehicle	38,405	
Less: Accumulated Depreciation	<u>(339,144)</u>	
Total Capital Assets		1,076,747
Other Noncurrent Assets		
Net pension asset	<u>30,510</u>	
Total Other Noncurrent Assets		<u>30,510</u>
TOTAL ASSETS		<u>1,335,042</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contribution After Measurement Date	<u>15,814</u>	
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 15,814</u>

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 NET POSITION
June 30, 2015

LIABILITIES

Current Liabilities

Accounts payable	\$ 19,028
Accrued payroll	20,572
Compensated absences payable	9,702
Notes payable - current portion	<u>58,959</u>

Total Current Liabilities \$ 108,261

Non-current Liabilities

Notes payable (net of current portion)	<u>537,149</u>
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Total Non-current Liabilities 537,149

TOTAL LIABILITIES

645,410

DEFERRED INFLOWS OF RESOURCES

Pension Changes in Investment Earnings	<u>53,305</u>
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TOTAL DEFERRED INFLOWS OF RESOURCES 53,305

NET POSITION

Net investment in capital assets	480,639
Unrestricted	<u>171,502</u>

\$ 652,141

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, 2015

Operating Revenues

Emergency telephone service charge	\$	96,544	
Tennessee Emergency Comm. Board - Shared wireless charge		51,330	
Tennessee Emergency Comm. Board- Operational funding		<u>468,088</u>	
Total Operating Revenues			\$ 615,962

Operating Expenses

Salaries and wages		490,801	
Employee benefits		98,260	
Addressing/mapping		3,769	
Advertising		200	
Audit services		8,500	
Custodial supplies		596	
Dues and subscriptions		4,186	
Insurance		22,241	
Internet charges		3,456	
Legal services		8,500	
Maintenance agreements		34,126	
Maintenance and repairs - Buildings and facilities		14,239	
Maintenance and repairs - Office equipment		4,091	
Maintenance and repairs - Vehicle		1,390	
NCIC/TBI/TIES fees		5,312	
Office/general supplies		2,256	
Postage		147	
Small equipment		2,752	
Training		6,883	
Travel		5,736	
Uniforms		500	
Utilities - General telephone		59,099	
Utilities - Water and sewer		397	
Utilities - Electric		9,565	
Depreciation		89,430	
Other		<u>16,492</u>	
Total Operating Expenses			<u>892,924</u>

Operating Loss \$ (276,962)

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, 2015**

Non-Operating Revenues and (Expenses)		
Contributions from other governments and agencies	\$ 219,796	
Contributions from primary government	175,000	
Interest income	61	
Miscellaneous income	10,499	
Loss on disposal of assets	(69,069)	
Interest expense	<u>(27,142)</u>	
 Total Non-Operating Revenues		 <u>\$ 309,145</u>
 Change in Net Position		 32,183
 Net Position June 30, 2014 (as restated - See Note 11)		 <u>619,958</u>
 Net Position June 30, 2015		 <u><u>\$ 652,141</u></u>

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, 2015

Cash Flows from Operating Activities

Cash received from surcharges and other revenues	\$ 688,142
Cash payments for payroll, taxes and related benefits	(576,559)
Cash payments to suppliers for goods and services	<u>(210,746)</u>
Net Cash Used by Operating Activities	(99,163)

Cash Flows from Non-Capital Financing Activities

Contributions from primary government	175,000
Grants/reimbursements TECB	219,796
Other income	<u>10,499</u>
Net Cash Provided by Non-Capital Financing Activities	<u>405,295</u>

Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(182,009)
Principal paid on notes payable	(56,604)
Interest paid on notes payable	<u>(27,142)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(265,755)</u>

Cash Flows from Investing Activities

Interest income received	<u>61</u>
Net Cash Provided from Investing Activities	<u>61</u>

Net Increase in Cash and Equivalents	40,438
Cash and Equivalents, Beginning of Year	<u>178,064</u>
Cash and Equivalents, End of Year	<u><u>\$ 218,502</u></u>

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, 2015

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Income (Loss)	\$ (276,962)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities	
Depreciation	89,430
Adjusting pension income to retirement contributions expenses	(15,814)
(Increase)/Decrease in receivables	72,180
(Increase)/Decrease in prepaid expenses	(5,947)
Increase/(Decrease) in accounts payable	14,526
Increase (Decrease) in accrued wages and benefits	7,569
Increase/(Decrease) in other accrued liabilities	<u>15,855</u>
Net Cash Used by Operating Activities	<u><u>\$ (99,163)</u></u>

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

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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 are appointed by the Hawkins County Commission. Customer surcharges were initiated, collected and remitted by telephone companies serving Hawkins County soon thereafter.

B. 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 statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which they liability is incurred.

Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

Investment in capital assets: This category includes capital assets, net of accumulated depreciation less any current or long term note that asset is used as collateral. Investment in capital assets at June 30, 2015 has been calculated as follows:

Capital Assets	\$ 1,415,891
Accumulated Depreciation	(339,144)
Notes Payable	<u>(596,108)</u>
Investment in capital assets	<u>\$ 480,639</u>

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. The District had no restricted net position as of June 30, 2015.

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "investment in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the Board or Directors or may otherwise be limited by contractual agreements with outside parties.

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

C. 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.”

D. 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

E. 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 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.

Permanent full-time employees are entitled to vacation leave at a rate of one day per month for years of service 1-5, one and a half days per month for years of service 5-10 and two days per month for years of service over ten. Vacation may be accrued up to 240 hours. Any unused vacation leave over 240 hours will be converted to sick days at the end of the calendar year.

F. 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.

G. 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.

H. Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

- 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.

I. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (revenue) until then.

J. Implementation of GASB Statements No. 67 and 68

During the fiscal year ended June 30, 2015, the District implemented *GASB Statements No. 67, Financial Reporting for Pension Plans – an Amendment to GASB Statement No. 25, and No. 68, Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*. The requirements of these new standards and their effect on the financial statements are more fully explained in Notes 6 and 11.

K. Implementation of GASB Statements No. 71

During the fiscal year ended June 30, 2015, the District implemented *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. This requires the District to record pension contributions after the measurement date to be recorded as a deferred outflow of resources. The requirement of this new standard and its effect on the financial statements are more fully explained in Notes 6 and 11.

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.

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

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, 2015:

	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Capital Assets, not being depreciated:					
Land	\$ 126,314	\$ -	\$ -	\$ 126,314	
Capital Assets, being depreciated:					
Building	\$ 553,601	\$ -	\$ -	\$ 553,601	40 years
Furniture & Fixtures	13,998	63,596	-	77,594	5 years
Vehicles	15,500	38,405	-	53,905	5 years
Office Equipment	12,209	-	-	12,209	5 years
Communication System	1,100,894	80,008	588,634	592,268	5-10 years
Total depreciable assets:	1,696,202	182,009	588,634	1,289,577	
Less Accumulated Depreciation:					
Building	\$ 70,324	\$ 13,840	\$ -	\$ 84,164	
Furniture & Fixtures	5,966	10,840		16,806	
Vehicles	15,500	6,401		21,901	
Office Equipment	7,997	2,442		10,439	
Communication System	656,443	68,956	519,565	205,834	
Total Accumulated Depreciation	756,230	102,479	519,565	339,144	
Net Capital Assets	\$ 1,066,286	\$ 79,530	\$ 69,069	\$ 1,076,747	

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 9% of its total revenue from surcharges collected by Embarq and AT&T. Another \$519,914 or 51%, 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 Hawkins County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapter 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The

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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 6 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>11</u>
	<u>29</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Hawkins County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hawkins County Emergency Communications District were \$15,814 based on a rate of 4.1 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hawkins County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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June 30, 2015

Net Pension Liability (Asset)

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

Actuarial Assumptions

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

Inflation	3.0 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.

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

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

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

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) – (b)
Balance at 06/30/13	\$ 572,271	\$ 536,991	\$ 35,280
Changes for the year:			
Service cost	33,630		33,630
Interest	45,125		45,125
Differences between expected and actual experience	(14,760)		(14,760)
Contributions-employer	-	17,338	(17,338)
Contributions-employees	-	20,689	(20,689)
Net investment income	-	92,186	(92,186)
Benefit payments, including refunds of employee contributions	(8,450)	(8,450)	-
Administrative expense	-	(428)	428
Net changes	<u>(55,545)</u>	<u>121,335</u>	<u>(65,790)</u>
Balance at 06/30/14	<u>\$ 627,816</u>	<u>\$ 658,326</u>	<u>\$ (30,510)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Glen Hills Utility 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>
Hawkins County Emergency Communications District's net pension liability (asset)	\$ 76,068	\$ (30,510)	\$ (117,674)

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

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

Pension Expense

For the year ended June 30, 2015, Hawkins County Emergency Communications District recognized pension expense of \$4,854.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,651
Net difference between projected and actual earnings on pension plan investments	-	40,655
Contributions subsequent to the measurement date of June 30, 2014	<u>15,814</u>	<u>-</u>
Total	<u>\$ 15,814</u>	<u>\$ 53,305</u>

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

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

Year ended June 30:

2016	\$ (12,273)
2017	(12,273)
2018	(12,273)
2019	(12,273)
2020	(2,109)
Thereafter	(2,105)

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

Payable to the Pension Plan

At June 30, 2015, Hawkins County Emergency Communications District reported a payable of \$2,841.20 for outstanding amount of employer contributions to the pension plan required for the year ended June 30, 2015.

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.

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 8 - LONG-TERM LIABILITIES

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 \$41,977 and interest payments of \$10,619 during the year. Balance at year-end is \$237,208, with \$43,762 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 the 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 \$12,484 and interest payments of \$16,527 during the year. Balance at year-end is \$354,923 with \$13,055 being classified as current.

Changes in outstanding long-term debt for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Building Note	\$ 367,407	\$ 0	\$ 12,484	\$ 354,923	\$ 13,055
Equipment Note	279,184	0	41,977	237,208	43,762
Capital Lease-Note 9	<u>6119</u>	<u>0</u>	<u>2,142</u>	<u>3,977</u>	<u>2,142</u>
Total	<u>\$652,710</u>	<u>\$ 0</u>	<u>\$ 56,603</u>	<u>\$ 596,108</u>	<u>\$ 58,959</u>

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

	Principal	Interest
2016	\$ 58,959	\$ 24,786
2017	61,069	22,369
2018	61,753	19,849
2019	64,381	17,222
2020	66,673	14,483
2021 - 2025	89,973	55,081
2026 - 2030	112,983	32,071
2031 - 2033	<u>80,317</u>	<u>5,811</u>
Total	<u>\$ 596,108</u>	<u>\$ 191,672</u>

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.

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 7, 2016, the date the financial statements were available to be issued.

NOTE 11 - PRIOR PERIOD RESTATEMENT AND ADOPTION OF NEW ACCOUNTING STANDARDS

During fiscal year ending June 30, 2015 the District adopted GASB Statement No. 67 Financial Reporting for Pension Plans – an Amendment to GASB Statement No. 25 and GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27, which requires the District to recognize a net pension liability on the statement of net position. The District also adopted GASB Statement No 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68 which requires the District to record pension contributions after the measurement date to be recorded as a deferred outflow of resources. See Note 6 for additional information about the District’s pension plan.

As a result of adopting GASB Statement No. 67, 68 and 71, the district has restated unrestricted net position as of July 1, 2014.

Net Pension Liability, Beginning of Year, as calculated and reported under GASB Statements No. 67 & 68	\$ (35,280)
Deferred Outflows, Beginning of Year, as calculated and reported under GASB Statement No. 71	<u>17,338</u>
Net Effect for New Accounting Standards	(17,942)
Net Position, Beginning of Year, as Originally Reported	<u>637,900</u>
Net Position, Beginning of Year, as Restated	<u>\$ 619,958</u>

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30**

	2014
Total pension liability	
Service cost	\$ 33,630
Interest	45,125
Changes in benefit terms	-
Differences between actual and expected experience	(14,760)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(8,450)</u>
Net change in total pension liability	55,545
Total pension liability – beginning	<u>\$ 572,271</u>
Total pension liability – ending (a)	<u>\$ 627,816</u>
Plan fiduciary net position	
Contributions – employer	\$ 17,338
Contributions – employee	20,689
Net investment income	92,186
Benefits payments, including refunds of employee contributions	(8,450)
Administrative expense	<u>(428)</u>
Net change in plan fiduciary net position	121,335
Plan fiduciary net position – beginning	<u>536,991</u>
Plan fiduciary net position – ending (b)	<u>\$ 658,326</u>
Net Pension Liability (asset) – ending (a) – (b)	<u>\$ (30,510)</u>
Plan fiduciary net position as a percentage of total pension liability	104.86%
Covered – employee payroll	\$ 413,784
Net pension liability (asset) as a percentage of covered-employee payroll	7.37%

*This schedule is first required for the fiscal year ended June 30, 2015. Subsequent years will include additional disclosures for comparative purposes.

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Hawkins County, Tennessee)
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30

	2014	2015
Actuarially determined contribution	\$ 17,338	\$ 15,814
Contributions in relation to the actuarially determined contribution	<u>17,338</u>	<u>15,814</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered – employee payroll	\$ 413,784	\$ 385,897
Contributions as a percentage covered – employee payroll	4.19%	4.10%

*This schedule is first required for the fiscal year ended June 30, 2015. Subsequent years will include additional disclosures for comparative purposes.

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

NOTES TO SCHEDULES

Valuation date: Actuarially determined contribution rate for 2015 were calculated based on 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	6 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 Percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
For the Year Ended June 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE UNDER (OVER)</u>
Operating Revenues				
Emergency telephone service charge	\$ 159,000	\$ 159,000	\$ 96,544	\$ 62,456
TECB - Shared wireless charge	71,400	71,400	51,330	20,070
TECB - Operational funding	492,000	492,000	468,088	23,912
Total Operating Revenues	<u>722,400</u>	<u>722,400</u>	<u>615,962</u>	<u>106,438</u>
Operating Expenses				
Salaries and wages				
Director	51,000	49,045	40,039	9,006
Administrative personnel	23,920	23,150	23,145	5
Dispatchers	265,180	231,650	231,643	7
Part-time personnel	18,278	32,535	32,527	8
Data processing personnel	22,360	20,200	20,200	-
Other salaries and wages	109,300	135,913	143,247	(7,334)
Total salaries and wages	<u>490,038</u>	<u>492,493</u>	<u>490,801</u>	<u>1,692</u>
Employee benefits				
Social security	30,382	28,890	28,885	5
Medicare	7,106	6,760	6,755	5
State unemployment	4,900	1,410	1,401	9
Medical benefits	47,999	55,340	56,365	(1,025)
Retirement contribution	20,288	15,820	4,854	10,966
Total employee benefits	<u>110,675</u>	<u>108,220</u>	<u>98,260</u>	<u>9,960</u>
Contracted services				
Accounting services	1,000	300	300	-
Addressing/mapping	15,200	3,400	3,397	3
Administrative - service charges	700	700	649	51
Advertising	75	250	200	50
Audit services	8,500	8,500	8,500	-
Maintenance agreements	13,500	34,350	34,126	224
Janitorial services	3,330	5,300	5,388	(88)
Legal services	6,000	8,500	8,500	-
NCIC/TBI/TIES	4,930	4,850	5,312	(462)
Lease/rental - office equipment	2,303	2,715	4,796	(2,081)
Maintenance and repairs - communications equipment	-	-	-	-
Maintenance and repairs - buildings and facilities	3,260	4,385	4,380	5
Maintenance and repairs - vehicles	250	250	207	43
Fuel - vehicles	1,000	1,200	1,257	(57)
Total contracted services	<u>60,048</u>	<u>74,700</u>	<u>77,012</u>	<u>(2,312)</u>
Supplies and materials				
Office supplies	2,500	2,500	2,256	244
Custodial supplies	1,000	600	596	4
Data processing supplies	175	175	144	31
Postage	200	150	147	3
Small equipment	3,000	3,000	2,752	248
Maintenance supplies	-	-	2,486	(2,486)
Miscellaneous supplies	2,500	2,000	1,547	453
Uniforms and shirts	1,000	510	500	10

HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
For the Year Ended June 30, 2015

Utilities - electric	7,000	8,000	8,883	(883)
Utilities - gas	1,100	755	682	73
Utilities - water	450	400	397	3
Utilities - general telephone	57,000	55,850	56,524	(674)
Utilities - cell phones and pagers	2,600	2,785	2,575	210
Total supplies and materials	<u>78,525</u>	<u>76,725</u>	<u>79,489</u>	<u>(2,764)</u>
Other Charges				
Dues & subscriptions	850	900	4,186	(3,286)
Training	5,500	11,420	7,293	4,127
Travel	3,000	4,000	5,736	(1,736)
Insurance	20,061	16,225	22,241	(6,016)
Licenses and fees	875	800	799	1
Internet charges	2,750	3,500	3,456	44
Other charges	500	1,300	14,221	(12,921)
Total other charges	<u>33,536</u>	<u>38,145</u>	<u>57,932</u>	<u>(19,787)</u>
Depreciation				
Depreciation	63,000	63,000	89,430	(26,430)
Total depreciation	<u>63,000</u>	<u>63,000</u>	<u>89,430</u>	<u>(26,430)</u>
Total Operating Expenses	<u>835,822</u>	<u>853,283</u>	<u>892,924</u>	<u>(39,641)</u>
Operating income (loss)	<u>(113,422)</u>	<u>(130,883)</u>	<u>(276,962)</u>	<u>146,079</u>
Nonoperating revenue and (expenses)				
Contributions from primary government	175,000	175,000	175,000	-
TECB - grants and reimbursements	-	-	219,796	219,796
Interest income	-	-	61	61
Contracted services	3,500	3,500	3,978	478
Miscellaneous income	4,100	4,100	6,521	2,421
Loss on disposal of assets	-	-	(69,069)	(69,069)
Interest expense	(29,000)	(27,150)	(27,142)	8
Total nonoperating revenue and (expenses)	<u>153,600</u>	<u>155,450</u>	<u>309,145</u>	<u>153,695</u>
Increase (Decrease) in Net Position	<u>\$ 40,178</u>	<u>\$ 24,567</u>	<u>\$ 32,183</u>	<u>\$ 7,616</u>
Net Position-Beginning of Period	619,958	619,958	619,958	
Net Position - End of Period	<u>\$ 660,136</u>	<u>\$ 644,525</u>	<u>\$ 652,141</u>	

DAVID M. ELLIS

Certified Public Accountant

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*Member, Tennessee Society of
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**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 of
Hawkins County Emergency
Communications District
Greeneville, Tennessee

I have audited, 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, the financial statements of Hawkins County Emergency Communications District (the District), a component unit of Hawkins County, Tennessee, which comprise the statement of net position as of June 30, 2015, and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued my report thereon dated January 7, 2016.

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 Hawkins County Emergency Communications District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. [2011-002, 2015-001, 2015-002]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkins County Emergency Communications District (the District), a component unit of Hawkins County, Tennessee'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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, TN
January 7, 2016

**HAWKINS COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015**

2015-001 Prohibited Use of 911 Revenue:

Condition: Purchase of flowers made by 911 staff.

Criteria: 911 Revenue Standards number 4 adopted by The Tennessee Emergency Communications Board prohibits expenditures for gifts, gift cards and flowers, regardless of the source of revenue or the budgetary resources of an Emergency Communications District.

Effect: The District expended funds for flowers which are considered a prohibited use of revenue by 911 Revenue Standards.

Recommendation: The District should follow recommended procedures of 911 Revenue Standards.

Management's Comments: Management concurs and is now in possession of the 911 Revenue Standards manual for reference on prohibited uses of 911 Revenue.

2015-002 Vending Machine:

Condition: District operated a vending machine using manual ledger.

Criteria: 911 Revenue Standards adopted by The Tennessee Emergency Communications Board number 28 states "that all proceeds from vending operations shall be deposited to the Emergency Communications District's official bank account in the same manner as all other receipts. All disbursements related to vending operations shall be paid by official check of the Emergency Communications District in the same manner as all other disbursements. The machines shall be operated on at least a break-even basis. Provided further that, in all cases involving vending facilities, the Tennessee Department of Human Services (DHS) shall be contacted to determine requirements for compliance with Tenn. Code Ann. § 71-4-501, et seq., and any other applicable state or federal laws."

Effect: The District has operated the vending machine on a manual ledger not allowing for proper accountability.

Recommendation: The District should follow recommended procedures of 911 Revenue Standards.

Management's Comments: Management concurs and is now depositing vending proceeds and disbursing checks for vending operations into District's official bank account.

**HAWKINS COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2015**

2011-002 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 spent money that was not budgeted.

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

Management's Comments: The board will review and amend the budget prior to unauthorized expenditure.

**HAWKINS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 A COMPENENT UNIT OF HAWKINS COUNTY, TENNESSEE
 SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COST
 For the Fiscal Year Ended June 30, 2015**

Financial Statement Findings

Finding Number ¹	Finding Title	Status

Compliance Findings

Finding Number	Finding Title	Status
2011-002	Actual Expenses over Budgeted Amounts:	Repeated

¹Note: There were no prior year financial statement findings reported.