

**HAMILTON COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT**

Chattanooga, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

Years Ended June 30, 2015 and 2014

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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INTRODUCTORY INFORMATION

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD MEMBERS
JUNE 30, 2015**

MANAGEMENT:

John S. Stuermer	Executive Director
Jeff Carney	Director of Operations
Seth Graham	Director of Technical Services
Jay Donnicks	Director of Administration

BOARD MEMBERS:

Don Allen	Chairman
Richard Brown	Vice Chairman
Eddie Phillips	Secretary
Daisy Madison	Treasurer
Boyd Veal	Board Member
Jim Hammond	Board Member
Mark Mathews	Board Member
Ted Rogers	Board Member
Dan Collyer	Board Member
Fred Fletcher	Board Member
Chris Adams	Board Member

HAMILTON COUNTY “911” EMERGENCY COMMUNICATIONS DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hamilton County “911” Emergency Communications District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2015. This should be read in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statements of net position and statements of revenues, expenses and changes in net position provide information about the activities of the District as a whole and present an overview of the District’s finances.

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

One of the most important questions asked about an entity’s finances is “How did we do this year?” The 2015 statement of net position and statement of revenues, expenses and changes in net position report information in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the District’s net position and the changes in net position. Net position is the difference between assets and liabilities and is one way to measure the District’s financial health, or its financial position. Over time, increases or decreases to the District’s net position are an indicator of whether its financial health is improving or deteriorating. Net position and changes in net position are analyzed on the following page.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

District’s revenues were over expenses for the fiscal year ended June 30, 2015, with a net position increase of approximately \$295,000 from the previous year. Under the “911 Funding Modernization and IP Transaction Act of 2014”, effective January 1, 2015 the Tennessee Emergency Communications Board began collection of all 911 surcharge revenue statewide and distribution of said funds to districts. The Act established an annual surcharge revenue base amount payment per district as well as provided for the distribution of excess surcharge revenue funds. Hamilton County’s established base amount funding is approximately \$185,000 less than the total surcharge revenue for fiscal year 2014. Under the transitional surcharge revenue collection basis of fiscal year 2015, the district realized an increase of operation surcharge revenue from FY14 to FY15 of approximately \$200,000.

THE DISTRICT'S NET POSITION

The District completed the year with net position of \$18,249,811, which is approximately \$295,000 more than the prior year ending net assets of \$17,955,076. Unrestricted net assets of approximately \$10 million have been designated by the Board to fund future operations and capital improvements.

Net assets and changes in net assets for the years ended June 30, 2015, 2014 and 2013, are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
NET POSITION:			
Current and other assets	\$11,825,074	\$13,387,828	\$14,478,274
Deferred outflows of resources	354,187	429,796	-
Capital assets	<u>7,842,421</u>	<u>6,405,185</u>	<u>4,184,169</u>
Total assets	20,021,682	20,222,809	18,662,443
Current and other liabilities	(1,317,539)	(2,267,733)	(1,933,391)
Deferred inflows of resources	<u>(454,332)</u>	<u>-</u>	<u>-</u>
Net position	<u>\$18,249,811</u>	<u>\$17,955,076</u>	<u>\$16,729,052</u>
Summary of net position -			
Invested in capital assets	\$ 7,842,421	\$ 6,405,185	\$ 4,184,169
Unrestricted	<u>10,407,390</u>	<u>11,549,891</u>	<u>12,544,883</u>
	<u>\$18,249,811</u>	<u>\$17,955,076</u>	<u>\$16,729,052</u>
CHANGES IN NET POSITION:			
Operating revenues	\$12,480,776	\$11,885,208	\$11,658,322
Operating expenses	<u>12,235,723</u>	<u>11,167,137</u>	<u>11,114,929</u>
Operating income	245,053	718,071	543,393
Non-operating revenues, net of expenses	<u>49,682</u>	<u>54,072</u>	<u>51,970</u>
Changes in net position	294,735	772,143	595,363
NET POSITION:			
Beginning, as previously reported	17,955,076	16,729,052	16,133,689
Prior period adjustment	<u>-</u>	<u>453,881</u>	<u>-</u>
Beginning, as restated	<u>17,955,076</u>	<u>17,182,933</u>	<u>16,133,689</u>
Ending	<u>\$18,249,811</u>	<u>\$17,955,076</u>	<u>\$16,729,052</u>

BUDGETARY HIGHLIGHTS

In order to fund unanticipated, changing needs and to prevent budget overruns, the budget for June 30, 2015, was amended between expense line items. The total expense budget remained at \$11,620,262 as budgeted, with actual expenses being \$11,326,900.

The line item for contingency is planned during budget preparation to cover unplanned or unusual expenses, and to fund unanticipated increases in other line items, so that the overall budget does not require an increase. Budget revisions decreased the contingency of \$50,000 to \$0.

The actual charges to appropriations (expenses) were approximately \$293,000 below the budgeted amount. Salaries and other personnel costs were under the amount budgeted by approximately \$133,000. Contracted services and other costs were under the amount budgeted by approximately \$60,000 each. And supplies and materials costs were under the amount budgeted by approximately \$42,000.

Budgeted revenues, in total, were less than actual revenues by approximately \$215,000, with total operating revenues being over budget by approximately \$192,000 and interest income being over budget by approximately \$14,000.

CAPITAL ASSETS

At June 30, 2015, the District had \$12,737,533 invested in capital assets such as telecommunications equipment, office equipment, and building improvements. This amount represents a net increase of approximately \$2,300,000 in requisitions and \$5,200,000 in dispositions.

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND PLANNING FOR FUTURE NEEDS

The District plans to replace the CAD (Computer Aided Dispatch) system in the next fiscal year at an approximate cost of \$2 million to meet requirements for Next Generation 911 (NG911).

The District has documented the need for a new countywide Unified Emergency Communications Center to accommodate increased current operational needs as well as to prepare for the projected future growth in the County. Additionally, an upgrade of the Unified Emergency Communications Center backup operations is required for the continuity of communications services to first responder agencies in Hamilton County, the estimated cost being \$500,000. However, the district's current and projected operational revenues do not support implementation of these most important projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance related laws and regulations and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like additional information, contact the District's Executive Director at 3404 Amnicola Highway, Chattanooga, TN 37406.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

Report on the Financial Statements

We have audited the accompanying financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the statements of net position, the related statements of revenue, expenses and change in net position and statements of cash flows.

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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Hamilton County "911" Emergency Communications District as of June 30, 2015 and 2014, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, Hamilton County "911" Emergency Communications District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

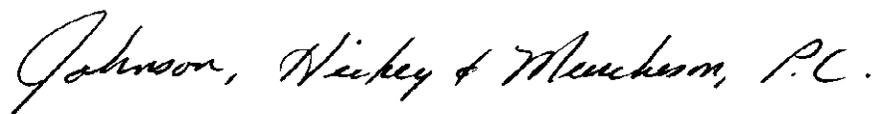
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7 and schedules relating to the public employee pension plan of TCRS on pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hamilton County "911" Emergency Communications District's financial statements. The accompanying information listed in the table of contents as other supplementary information is presented for additional analysis and is not a required part of the financial statements. The schedules of operating expenses and schedule of budget to actual are the responsibility of management and were derived from and relate 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 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of Hamilton County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



November 30, 2015

FINANCIAL STATEMENTS

HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS:		
Cash	\$ 905,208	\$ 221,944
Certificates of deposit and money market accounts	9,622,548	11,954,776
Interest receivable	29,300	34,960
Accounts receivable - telephone service charges	-	309,933
Accounts receivable - other	38,123	187,579
Accounts receivable for accumulated leave	167,931	224,755
Net pension asset	1,061,964	453,881
Capital assets, net of accumulated depreciation and amortization	7,842,421	6,405,185
Total assets	\$ 19,667,495	\$ 19,793,013
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows from pensions	\$ 354,187	\$ 429,796
Total deferred outflows of resources	\$ 354,187	\$ 429,796
LIABILITIES:		
Accounts payable	\$ 101,212	\$ 596,552
Payable to primary government	635,710	1,098,557
Accumulated leave	580,617	572,624
Total liabilities	\$ 1,317,539	\$ 2,267,733
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from pensions	\$ 454,332	\$ -
Total deferred inflows of resources	\$ 454,332	\$ -
NET POSITION:		
Invested in capital assets	\$ 7,842,421	\$ 6,405,185
Unrestricted	10,407,390	11,549,891
Total net position	\$ 18,249,811	\$ 17,955,076

(The accompanying notes are an integral part of these statements.)

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
OPERATING REVENUES:		
Emergency telephone service charges	\$ 1,252,883	\$ 2,562,568
State Emergency Communications Board - Shared wireless charge	460,997	857,015
Operational funding	1,207,551	1,860,595
Funding from local governments	7,002,508	6,604,999
911 Surcharge base amount	2,547,807	-
Other income	9,030	31
Total operating revenues	12,480,776	11,885,208
OPERATING EXPENSES:		
Salaries and benefits	9,359,853	8,871,309
Contracted services	1,228,344	1,011,670
Supplies and materials	500,535	552,706
Other	238,168	238,777
Depreciation and amortization	908,823	492,675
Total operating expenses	12,235,723	11,167,137
OPERATING INCOME	245,053	718,071
NONOPERATING REVENUES:		
Interest income	49,682	54,072
CHANGE IN NET POSITION	294,735	772,143
NET POSITION:		
Beginning, as previously reported	17,955,076	16,729,052
Prior period adjustment	-	453,881
Beginning, as restated	17,955,076	17,182,933
Ending	\$ 18,249,811	\$ 17,955,076

(The accompanying notes are an integral part of these statements.)

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from telephone companies	\$ 1,562,816	\$ 2,561,047
Receipts from State for shared wireless revenues and operational funding	1,668,548	2,717,610
Receipts from 911 surcharge base amount	2,547,807	-
Receipts from other local governments	7,208,788	6,826,266
Receipts from others	9,030	31
Payments to suppliers and others	(2,462,387)	(1,323,991)
Payments for employees	(9,892,849)	(9,445,925)
	<u>641,753</u>	<u>1,335,038</u>
Net cash provided by operating activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(2,346,059)	(2,713,691)
	<u>(2,346,059)</u>	<u>(2,713,691)</u>
Net cash used by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	55,342	24,742
	<u>55,342</u>	<u>24,742</u>
Net cash provided by investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(1,648,964)	(1,353,911)
CASH AND CASH EQUIVALENTS:		
Beginning	12,176,720	13,530,631
Ending	<u>\$ 10,527,756</u>	<u>\$ 12,176,720</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash	\$ 905,208	\$ 221,944
Certificates and money market accounts	9,622,548	11,954,776
	<u>\$ 10,527,756</u>	<u>\$ 12,176,720</u>

(The accompanying notes are an integral part of these statements.)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	\$ 245,053	\$ 718,071
Adjustments to reconcile income from operations to net cash provided by operating activities -		
Depreciation and amortization	908,823	492,675
Net (increase) decrease in operating assets:		
Accounts receivable -		
telephone service charges	309,933	(1,521)
Accounts receivable - other	149,456	179,285
Accounts receivable for accumulated leave	56,824	41,982
Net pension asset	(608,083)	-
Deferred outflows from pensions	75,609	(429,796)
Net increase (decrease) in operating liabilities:		
Accounts payable and payable to primary government	(958,187)	345,386
Accumulated leave	7,993	(11,044)
Deferred inflows from pensions	454,332	-
	<u>641,753</u>	<u>1,335,038</u>
Net cash provided by operating activities	<u>\$ 641,753</u>	<u>\$ 1,335,038</u>

(The accompanying notes are an integral part of these statements.)

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

Public chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone service, to provide for the funding of such services and such district, and to provide for the funding of a telephone service charge. On November 6, 1984, the voters of Hamilton County, Tennessee approved the establishment of such a district.

Financial reporting entity -

The District is a component unit of Hamilton County, Tennessee. Members of the Board of Directors of Hamilton County "911" Emergency Communications District are appointed by the County Mayor of Hamilton County, Tennessee, with the approval of the County Board of Commissioners. The Board of Commissioners must also approve bonds and notes which pledge District revenue.

Basis of accounting -

The District is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the District uses the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. Operating revenues are those that result from the activities of the District, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered nonoperating.

Estimates -

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts receivable -

Accounts receivable for telephone service charges and other is reported at the outstanding principal amount. Uncollectible accounts, if any, are accounted for by the direct write-off method, which would produce no material differences from the allowance method.

Capital assets -

The District capitalizes significant purchases of capital assets which are recorded at cost. Depreciation is provided over the estimated useful lives of individual assets by the straight-line method.

Capital assets include the "911" database and other software. Amortization is recorded over periods of 5 to 10 years, based upon the estimated service period.

Depreciation and amortization expense was \$858,189 and \$50,634, respectively, for the year ended June 30, 2015; and \$431,587 and \$61,088, respectively, for the year ended June 30, 2014.

The amount budgeted for acquisitions for the years ended June 30, 2015 and 2014, was \$981,000 and \$920,000, respectively. Actual acquisitions for the same years were \$2,346,059 and \$2,713,691, respectively.

Cash and cash equivalents -

For purposes of these financial statements, the District considers money market accounts with banks and the State of Tennessee Local Government Pool, as well as certificates of deposit, to be cash equivalents.

Deferred outflows/inflows of resources -

The District has adopted the provisions of GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Under this statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources - a consumption of net assets by the District that is applicable to a future reporting period.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred outflows/inflows of resources (continued)-

Deferred inflows of resources - an acquisition of net assets by the District that is applicable to a future reporting period.

As of June 30, 2015 and 2014, the District had deferred outflows of \$354,187 and \$429,796 of resources and deferred inflows of resources of \$454,332 and \$0, respectively.

Pensions -

During the year, the District adopted the provisions of GASB Statement Number 68, Accounting and Financial Reporting for Pensions. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

(2) BUDGETARY CONTROL:

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

(3) CASH AND INVESTMENTS:

The District reports its cash and cash equivalents under GASB Statement Number 40, which is designed to improve financial reporting of deposit and investment risks.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(3) CASH AND INVESTMENTS (Continued):

At June 30, 2015, the District reports cash equivalents as follows -

	Weighted Average Maturity (Years)	Fair Value
Deposits with State of Tennessee		
Local Government Investment Pool	0.00	\$ 74,320
Certificates of deposit	0.34	9,548,228
Total	0.34	\$ 9,622,548

Interest Rate Risk - As a means of limiting its exposure to losses resulting from rising interest rates, the District's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The District's investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the District may participate. The District limits its investments to certificates of deposit and savings and money market accounts with local banks and the State of Tennessee local government pooled investment fund.

Credit Risk - The District's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. The State of Tennessee Local Government Investment Pool is a 2a7-like pool, which is not rated.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(3) CASH AND INVESTMENTS (Continued):

At June 30, 2015, certificates of deposit funds consist of the following -

<u>Financial Institution</u>	<u>Type of Instrument</u>	<u>Interest</u>	<u>Maturity Date</u>	<u>Amount</u>
First Tennessee Bank	Certificate	0.45%	June 12, 2016	\$ 1,023,536
First Tennessee Bank	Certificate	0.45%	October 6, 2015	<u>8,524,692</u>
				<u>\$ 9,548,228</u>

(4) CHANGES IN CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2015, are as follows -

	<u>Beginning</u>	<u>Additions</u>	<u>Reclasses & Retirements</u>	<u>Ending</u>
Capital assets:				
Leasehold improvements	\$ 5,334,165	\$ 71,480	\$ -	\$ 5,405,645
Furniture and fixtures	220,202	-	(4,582)	215,620
Office equipment	134,166	-	(40,959)	93,207
Communications equipment and software	9,293,013	2,259,837	(4,654,265)	6,898,585
Vehicles	109,734	-	-	109,734
Projects in process	<u>475,554</u>	<u>14,742</u>	<u>(475,554)</u>	<u>14,742</u>
	<u>15,566,834</u>	<u>2,346,059</u>	<u>(5,175,360)</u>	<u>12,737,533</u>
Less accumulated depreciation and amortization:				
Leasehold improvements	2,388,425	206,467	-	2,594,892
Furniture and fixtures	200,561	11,236	(4,582)	207,215
Office equipment	113,946	8,591	(40,959)	81,578
Communications equipment and software	6,404,713	667,020	(5,129,819)	1,941,914
Vehicles	<u>54,004</u>	<u>15,509</u>	<u>-</u>	<u>69,513</u>
	<u>9,161,649</u>	<u>908,823</u>	<u>(5,175,360)</u>	<u>4,895,112</u>
	<u>\$ 6,405,185</u>	<u>\$1,437,236</u>	<u>\$ -</u>	<u>\$ 7,842,421</u>

(5) BOARD DESIGNATED RESERVES:

Certificates of deposit and money market accounts are funds that have been set aside by the Board for the following, specific uses -

An operational reserve has been established to provide funds for capital expansion and for operational expenses, in the event that the District needs reserved funds to enable it to

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(5) BOARD DESIGNATED RESERVES (Continued):

meet its continuing operational needs. At June 30, 2015, the reserve consists certificates of deposit in the amount of \$8,384,023.

A risk management reserve has been established to provide for a liability plan with limited coverage for torts and other liabilities, and error and omissions of board members, employees and authorized volunteers. The reserve is intended to fund risk management claims and, at June 30, 2015, consists of investments with the State of Tennessee Local Government Investment Pool and certificates of deposit in the amounts of \$74,320 and \$1,164,205.

(6) LEASED PREMISES:

The District's operating premises, which include administrative offices and the primary communications center, are located on real property owned by the City of Chattanooga, Tennessee. A lease agreement between the two entities provides that no rent shall be charged the District as consideration, provided that all costs of construction and maintenance of the communications center are paid by the District. The termination of the communications agreement shall not be deemed a failure of consideration. The term of the lease, which originated April 5, 1994, is for a period of forty years. The District shall have the option to renew for two consecutive terms of forty years each upon the same terms and conditions as set forth in the lease agreement, subject to approval of the City's governing body. According to the terms of the agreement, the District shall not enter into a communication agreement with any other governmental entity for a term which extends beyond the term of this lease.

Additionally, the District is provided, and has renovated for its use as a backup communications center, a portion of a building owned by Hamilton County. The use is for an indeterminate period of time, and the District is responsible for all maintenance on the portion that it uses.

(7) COMPENSATED ABSENCES:

The District's employees are paid compensated leave benefits based upon a prescribed formula, and the benefits are accrued as employees earn the right to them.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(7) COMPENSATED ABSENCES (Continued):

As a result of County-wide unification, in January, 2009, the District assumed the liability for unused, compensated absences for Hamilton County and City of Chattanooga employees who became employees of the District. At June 30, 2009, the validity of this liability to the City and County was in negotiation, and not subject to a reasonable estimate. Therefore, although the liability to the employees was recorded by the District, no receivable from the City and County was recorded.

The receivable from the City is payable annually at \$27,143, through June, 2019, with a current balance of \$108,570. The receivable from the County is payable annually at \$14,840, through June, 2020, with a current balance of \$59,361.

(8) TRANSACTIONS WITH OTHER GOVERNMENTS:

The District incurs costs relative to personnel, utilities, and other, some of which are reimbursed by the City of Chattanooga, and credited to the appropriate expense accounts. As of and for the years ended June 30, 2015 and 2014, these transactions and balances were as follows -

	2015	2014
Reimbursements:		
City of Chattanooga	\$ 266,762	\$ 54,469
Accounts receivable:		
City of Chattanooga	\$ 24,067	\$ 187,325
City of Red Bank	\$ 14,057	-

As a result of unified call taking and dispatching for Hamilton County, and the Cities of Chattanooga, East Ridge, Red Bank, Collegedale, and Signal Mountain, these local governments contribute funds to the District to offset the personnel costs of those who were formerly employed by the individual governmental entities.

As of and for the years ended June 30, 2015 and 2014, the funding from these entities was as follows -

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(8) TRANSACTIONS WITH OTHER GOVERNMENTS (Continued):

	2015	2014
Funding:		
Hamilton County	\$1,915,682	\$1,814,858
City of Chattanooga	4,317,125	4,074,225
City of East Ridge	393,557	369,402
City of Red Bank	168,686	156,855
City of Collegedale	108,816	97,772
City of Signal Mountain	98,642	91,887
	\$7,002,508	\$6,604,999

(9) RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has assets designated for certain aspects of risk management. The designation was established to provide for a liability plan with limited coverage to board members, employees, and authorized volunteers. Liabilities relative to risk management are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no claims for these limited areas of risk management since the inception of the Board designation.

The District has insurance coverage, subject to specified limits, for risks of other losses, including workers' compensation, general liability, personal property, and errors and omissions.

There have been no settlements in excess of insurance coverage during the three most recent fiscal years.

(10) RETIREMENT PLAN:

Plan description -

Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by the state statute under the Tennessee Code of Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(10) RETIREMENT PLAN(Continued):

government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided -

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(10) RETIREMENT PLAN(Continued):

Employees covered by benefit terms -

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>136</u>
	<u>155</u>

Contributions -

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$354,187 and based on a rate of 6.16 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) -

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

Actuarial Assumptions -

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(10) RETIREMENT PLAN(Continued):

Actuarial Assumptions (continued) -

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(10) RETIREMENT PLAN(Continued):

Actuarial Assumptions (continued) -

return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market intl. equity	6.26%	17%
Emerging market intl. 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%
		<hr/> 100%

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

Discount Rate -

The discount rate used to measure the total pension liability was 7.5 percent. The projection on cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial evaluation 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.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(10) RETIREMENT PLAN(Continued):

Discount Rate (continued) -

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a-b)
Balance at 6/30/2013	<u>\$ 3,617,608</u>	<u>\$ 4,071,489</u>	<u>\$ (453,881)</u>
Changes for the year:			
Service cost	382,883	-	382,883
Interest	298,899	-	298,899
Differences between expected and actual experience	(156,141)	-	(156,141)
Contributions-employer	-	429,796	(429,796)
Net investment income	-	709,149	(709,149)
Benefit payments, including refunds of employee contributions	(30,343)	(30,343)	-
Administrative expense	<u>-</u>	<u>(5,221)</u>	<u>5,221</u>
Net changes	<u>495,298</u>	<u>1,103,381</u>	<u>(608,083)</u>
Balance at 6/30/2014	<u>\$ 4,112,906</u>	<u>\$ 5,174,870</u>	<u>\$(1,061,964)</u>

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	<u>\$ (188,133)</u>	<u>\$ (1,061,964)</u>	<u>\$(1,750,542)</u>

Pension expense -

For the year ended June 30, 2015, the District recognized pension expense of \$276,045.

Deferred outflows of resources and deferred inflows of resources -

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(10) RETIREMENT PLAN(Continued):

Deferred outflows of resources and deferred inflows of resources
(continued)-

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 143,129
Net difference between projected and actual earnings on pension plan investments	-	311,203
Contributions subsequent to the measurement date of June 30, 2014 *	<u>354,187</u>	<u>-</u>
 Total	 <u>\$ 354,187</u>	 <u>\$ 454,332</u>

* This amount 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	\$ (90,813)
2017	(90,813)
2018	(90,813)
2019	(90,813)
2020	(13,012)
Thereafter	(78,072)

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

(11) PRIOR PERIOD RESTATED:

The District's financial activities have been restated to record the effects of implementing GASB 68 and GASB 71 for the year ended June 30, 2014. The prior period restatement resulted in the initial establishment of a net pension asset of \$453,881 and the recording of a deferred outflow from pensions of \$429,796. The net effect of this restatement was an increase in prior year unrestricted net position of \$883,677.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(12) LITIGATION:

The District is currently involved in certain legal actions which are being vigorously defended. It is the opinion of management and legal counsel that these proceedings will not have a material effect on the financial position of the District.

(13) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 30, 2015, the date which these financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CHANGES IN THE 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	\$ 382,883
Interest	298,899
Difference between expected and actual experience	(156,141)
Change of assumptions	-
Benefit payments	(30,343)
Net change in total pension liability	495,298
Beginning	3,617,608
Ending (a)	\$ 4,112,906
PLAN FIDUCIARY NET POSITION:	
Contributions - employer	\$ 429,796
Net investment income	709,149
Benefit payments	(30,343)
Administrative expense	(5,221)
Net change in plan fiduciary net position	1,103,381
Beginning	4,071,489
Ending (b)	\$ 5,174,870
NET PENSION LIABILITY (ASSET) (a-b)	\$ (1,061,964)
Plan fiduciary net position as a percentage of total pension liability	125.82%
Covered employee payroll	\$ 5,567,584
Net pension liability (asset) as a percentage of covered-employee payroll	19.07%

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
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	\$ 429,796	\$ 354,187
Contributions in relation to the actuarially determined contribution	429,796	354,187
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 5,567,584	\$ 5,749,794
Contributions as a percentage of covered-employee payroll	7.72%	6.16%

NOTES TO SCHEDULE:

Valuation date -

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

Methods and assumptions used to determine contribution rates -

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 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	Customizable table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustment	2.5 percent

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

OTHER SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Salaries and Benefits -		
Salaries - director	\$ 100,027	\$ 99,136
Salaries - administrative	191,492	188,830
Salaries - technology	344,570	349,225
Salaries - telecommunications	5,906,930	5,880,839
Salaries - communications training officers	48,075	34,002
Compensated absences	12,728	13,736
Social security taxes	391,090	390,021
Medicare taxes	91,441	91,214
Group insurance	1,874,339	1,687,828
Retirement benefits	399,161	136,478
	<u>9,359,853</u>	<u>8,871,309</u>
 Contracted Services -		
Auditing services	8,500	8,500
Administrative fees - service charges	37,173	74,351
Contracts with government agencies	40,000	40,000
Data processing services	1,948	1,863
Janitorial services	49,343	48,843
Legal services	26,724	75,821
Maintenance agreements	664,781	523,739
Mapping/database consulting	297,199	107,851
Other consulting	8,706	14,086
Pest control	410	410
Office equipment rental	15,729	17,196
Building and facilities rental	2,250	-
Communications equipment repairs	1,071	104
Building maintenance and repairs	51,568	75,155
Office equipment repair	178	385
Vehicle maintenance and repairs	3,293	1,390
Fuel - vehicles	4,789	5,691
Grounds maintenance	5,654	5,354
Interpretation services	9,028	8,886
Technology support	-	2,045
	<u>1,228,344</u>	<u>1,011,670</u>

	<u>2015</u>	<u>2014</u>
Supplies and Materials -		
Office supplies	\$ 7,005	\$ 7,290
Custodial supplies	9,416	9,445
Communications supplies	1,782	1,888
Postage	839	1,128
Small equipment purchases	15,703	24,127
Uniforms	13,038	15,201
Utilities - electric	74,336	75,520
Utilities - gas	10,197	8,906
Utilities - water	5,088	4,841
Telephone - communications	63,785	60,180
Telephone - administration	284,220	328,450
Telephone - cell phones and pagers	15,126	15,730
	<u>500,535</u>	<u>552,706</u>
Other -		
Board meeting expenses	762	798
Dues and memberships	10,761	9,634
Employee testing and exams	10,008	14,096
Insurance - workers compensation	51,121	48,064
Insurance - liability	43,543	42,744
Insurance - buildings and contents	2,979	2,832
Insurance - equipment	4,575	4,550
Insurance - vehicles	3,346	3,192
Premiums on surety bonds	6,214	6,265
Legal notices	1,051	4,970
Licenses and taxes	11,457	1,709
Public education	5,619	4,342
Service awards and incentives	10,184	11,563
Training	28,816	19,120
Seminars and workshops	4,350	12,505
Travel	28,605	42,767
Internet charges	5,160	4,865
Miscellaneous	9,617	4,761
	<u>238,168</u>	<u>238,777</u>
Depreciation and amortization	<u>908,823</u>	<u>492,675</u>
	<u>\$ 12,235,723</u>	<u>\$ 11,167,137</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
REVENUES:				
Emergency telephone service charges	\$ 1,290,000	\$ 1,290,000	\$ 1,252,883	\$ (37,117)
State Emergency Communications Board - Shared wireless charge	437,500	437,500	460,997	23,497
Operational funding	1,001,425	1,001,425	1,207,551	206,126
Funding from local governments	7,002,508	7,002,508	7,002,508	-
911 Surcharge base amount	2,548,362	2,548,362	2,547,807	(555)
Interest income	36,000	36,000	49,682	13,682
Other income	75	75	9,030	8,955
Total revenues	<u>12,315,870</u>	<u>12,315,870</u>	<u>12,530,458</u>	<u>214,588</u>
EXPENSES:				
Salaries and Benefits -				
Salaries - director	99,150	100,200	100,027	173
Salaries - administrative	188,800	191,600	191,492	108
Salaries - technology	339,773	345,000	344,570	430
Salaries - telecommunications	5,789,376	5,908,000	5,906,930	1,070
Salaries - communications training officers	47,895	48,200	48,075	125
Compensated absences	50,000	23,948	12,728	11,220
Social security taxes	400,829	400,829	391,090	9,739
Medicare taxes	93,742	93,742	91,441	2,301
Group insurance	2,025,778	1,898,000	1,874,339	23,661
Retirement benefits	474,936	483,558	399,161	84,397
	<u>9,510,279</u>	<u>9,493,077</u>	<u>9,359,853</u>	<u>133,224</u>
Contracted Services -				
Auditing services	8,500	8,500	8,500	-
Accounting services	2,000	2,000	-	2,000
Administrative service charges	38,000	38,000	37,173	827
Contracts with govt agencies	40,000	40,000	40,000	-
Data processing services	2,000	2,000	1,948	52
Janitorial services	50,000	50,000	49,343	657
Legal services	26,736	26,736	26,724	12
Legal services - other	15,000	15,000	-	15,000
Maintenance agreements	683,991	683,991	664,781	19,210
Mapping/database consulting	63,000	298,000	297,199	801
Other consulting	12,500	12,500	8,706	3,794
Pest control	500	500	410	90
Communications equipment rental	250	250	-	250
Office equipment rental	19,400	19,400	15,729	3,671
Building and facilities rental	-	2,500	2,250	250
Communications equipment repairs	500	1,200	1,071	129
Building maintenance and repairs	45,000	52,000	51,568	432
Office equipment repair	2,000	2,000	178	1,822
Vehicle maintenance and repairs	2,500	5,700	3,293	2,407
Fuel - vehicles	7,500	7,500	4,789	2,711
Grounds maintenance	5,000	5,700	5,654	46
Interpretation services	10,000	10,000	9,028	972
Technology support	3,000	3,000	-	3,000
	<u>1,037,377</u>	<u>1,286,477</u>	<u>1,228,344</u>	<u>58,133</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
Supplies and Materials -				
Office supplies	\$ 9,350	\$ 9,350	\$ 7,005	\$ 2,345
Custodial supplies	8,700	9,500	9,416	84
Communications supplies	1,600	1,850	1,782	68
Postage	1,000	1,000	839	161
Small equipment purchases	20,000	20,000	15,703	4,297
Uniforms	30,000	30,000	13,038	16,962
Utilities - electric	85,000	85,000	74,336	10,664
Utilities - gas	8,000	10,300	10,197	103
Utilities - water	6,900	6,900	5,088	1,812
Telephone - communications	61,000	64,200	63,785	415
Telephone - administration	336,000	287,000	284,220	2,780
Telephone - cell phones and pagers	17,615	17,615	15,126	2,489
	<u>585,165</u>	<u>542,715</u>	<u>500,535</u>	<u>42,180</u>
Other -				
Board meeting expenses	900	900	762	138
Dues and memberships	11,965	11,965	10,761	1,204
Employee testing and exams	16,180	16,180	10,008	6,172
Insurance - workers compensation	51,340	51,340	51,121	219
Insurance - liability	48,550	48,550	46,889	1,661
Insurance - buildings and contents	3,000	3,000	2,979	21
Insurance - equipment	4,800	4,800	4,575	225
Premiums on surety bonds	5,500	6,300	6,214	86
Legal notices	4,000	4,000	1,051	2,949
Licenses and taxes	9,820	13,810	11,457	2,353
Public education	20,000	20,000	5,619	14,381
Service awards and incentives	13,500	13,500	10,184	3,316
Training	25,000	29,100	28,816	284
Seminars and workshops	13,130	13,130	4,350	8,780
Travel	45,718	45,718	28,605	17,113
Internet charges	6,000	6,000	5,160	840
Miscellaneous	8,000	9,700	9,617	83
	<u>287,403</u>	<u>297,993</u>	<u>238,168</u>	<u>59,825</u>
Contingency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>11,470,224</u>	<u>11,620,262</u>	<u>11,326,900</u>	<u>293,362</u>
	<u>\$ 845,646</u>	<u>\$ 695,608</u>	<u>\$ 1,203,558</u>	<u>\$ 507,950</u>
Total Actual Budgeted Expenses -			\$ 11,326,900	
Depreciation and amortization			<u>908,823</u>	
Total GAAP basis expenses			<u>\$ 12,235,723</u>	

INTERNAL CONTROL AND COMPLIANCE SECTION



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

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Hamilton County "911" Emergency Communications District's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton County “911” Emergency Communications District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Niskey & Meucham, P.C.

November 30, 2015

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015 AND 2014**

CURRENT YEAR FINDING:

None

PRIOR YEAR FINDINGS:

None

