

Financial Statements

HANCOCK COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2015

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Hancock County Emergency Communications District
Sneedville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Hancock County Emergency Communications District, a component unit of Hancock 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 of America. 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 risks 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 opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Hancock 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.

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 to 6 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. 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 financial statements, and other information we obtained during our audit of the 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hancock County Emergency Communications District's financial statements. The statement of revenue and expenses – actual and budget as well as the schedule of the board of directors are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of revenue and expenses – actual and budget 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 our 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.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016 on our consideration of Hancock County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Hancock County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

February 19, 2016

Hancock County Emergency Communications District

P.O. Box 347
Sneedville, TN 37869

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hancock County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent accountants' audit report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of net position includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and change in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenue, expenses and change in net position report information about the District's activities in a way that will help answer this question. The two statements report the net position of the District and the change in it. One can think of the District's net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net position and change in it is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2015</u>	<u>2014</u>
NET POSITION		
Current assets	\$ 600,852	\$ 510,538
Capital assets, net of accumulated depreciation	<u>177,630</u>	<u>214,384</u>
TOTAL ASSETS	<u>\$ 778,482</u>	<u>\$ 724,922</u>
Liabilities	\$ 0	\$ 739
Net position:		
Investment in capital assets	177,630	214,384
Unrestricted	<u>600,852</u>	<u>509,799</u>
	<u>778,482</u>	<u>724,183</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 778,482</u>	<u>\$ 724,922</u>
 CHANGE IN NET POSITION		
Operating revenue	\$ 233,225	\$ 234,321
Operating expenses	<u>190,823</u>	<u>182,218</u>
INCOME FROM OPERATIONS	42,402	52,103
Nonoperating revenue	<u>11,897</u>	<u>777</u>
CHANGE IN NET POSITION	54,299	52,880
NET POSITION AT THE BEGINNING OF THE YEAR	<u>724,183</u>	<u>671,303</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 778,482</u>	<u>\$ 724,183</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2015 with net position of \$778,482, which is \$54,299 more than prior year's ending net position of \$724,183, an increase of 7% compared to the prior year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$91,053 or 18% during the year ended June 30, 2015. The increase in change in net position compared to the prior year was primarily due to increased funding received from TECB.

The operations of the District (a component unit of Hancock County, Tennessee) are primarily funded as follows:

	<u>2015</u>	<u>2014</u>
Emergency telephone service charges	\$ 17,781	\$ 39,143
TECB - shared wireless charge	31,022	17,466
TECB - operational funding program	71,434	177,019
TECB - base amount distributions	112,950	0
TECB - reimbursements or grants	9,300	0

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns and the final amended budget did not vary significantly from the original budget. Actual revenue was more than budgeted revenue by \$9,901, mainly due to increased funding from the Tennessee Emergency Communications Board. Actual expenses were less than budgeted expenses by \$16,355 due to decreased expenses.

CAPITAL ASSETS

At June 30, 2015 the District had \$177,630 invested in capital assets, net of accumulated depreciation, a decrease of \$36,754 or 17% over the prior year. The decrease was entirely caused by increased accumulated depreciation netted against the purchase of capital assets.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the District is the change in funding from the TECB. Beginning in January 2015, TECB began collecting all amounts due to the emergency communication districts and sending each district a check every two months for one sixth of their predetermined base amount. TECB will also no longer be distributing grants to emergency communications districts. This could result in decreased revenue compared to prior years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any question or need additional information, please contact Jamie Stannifer, Director of Hancock County Emergency Communications District, P.O. Box 347, Sneedville, TN 37869

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

CURRENT ASSETS

Cash		\$ 598,138
Prepaid insurance		<u>2,714</u>
		600,852

CAPITAL ASSETS

Communications equipment	\$ 339,336	
Office equipment	23,574	
Vehicles	<u>9,300</u>	
	372,210	
Accumulated depreciation	<u>(194,580)</u>	<u>177,630</u>
		<u>\$ 778,482</u>

NET POSITION

Investment in capital assets		\$ 177,630
Unrestricted		<u>600,852</u>
		<u>\$ 778,482</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2015

OPERATING REVENUE

Emergency telephone service charges		\$ 17,781
TECB - shared wireless charge		31,022
TECB - operational funding program		71,434
TECB - base amount distributions		112,950
Other operating revenue		<u>38</u>

TOTAL OPERATING REVENUE 233,225

OPERATING EXPENSES

Salaries and wages:		
Director	\$ 34,644	
Part-time personnel	<u>9,032</u>	43,676
Employee benefits:		
Payroll taxes	3,341	
Medical insurance	<u>3,120</u>	6,461
Contracted services:		
Audit	5,300	
Contracts with government agencies	45,000	
Maintenance agreements	15,917	
Maintenance and repairs - equipment	6,507	
Maintenance and repairs - vehicles	<u>4,063</u>	76,787
Supplies and materials:		
Office supplies	868	
Small equipment purchases	212	
Utilities - general telephone	<u>10,677</u>	11,757

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2015

Other charges:		
Dues and memberships	151	
Insurance	5,618	
Board meeting expenses	<u>318</u>	6,087
Depreciation		<u>46,054</u>
	TOTAL OPERATING EXPENSES	<u>190,823</u>
	INCOME FROM OPERATIONS	42,402
NONOPERATING REVENUE		
Sale of capital assets	2,150	
TECB - reimbursements or grants	9,300	
Interest income	<u>447</u>	<u>11,897</u>
	CHANGE IN NET POSITION	54,299
NET POSITION AT THE BEGINNING OF THE YEAR		<u>724,183</u>
	NET POSITION AT THE END OF THE YEAR	<u>\$ 778,482</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 242,323
Cash paid to suppliers	(95,306)
Cash paid to employees	<u>(50,138)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	96,880
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	\$ (9,300)
TECB - reimbursements or grants	9,300
Sale of capital assets	<u>2,150</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,150
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest income	<u>447</u>
NET INCREASE IN CASH	99,477
CASH AT THE BEGINNING OF THE YEAR	<u>498,661</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 598,138</u></u>

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2015

**RECONCILIATION OF INCOME FROM
OPERATIONS TO NET CASH PROVIDED(USED)
BY OPERATING ACTIVITIES**

Income from operations		\$ 42,402
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 46,054	
Decrease in:		
Accounts receivable	2,877	
Due from TECB	2,956	
Due from primary government	3,266	
Prepaid insurance	64	
(Decrease) in:		
Accounts payable	<u>(739)</u>	<u>54,478</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 96,880</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE A - DESCRIPTION OF ORGANIZATION

Hancock County Emergency Communications District (the District) was established on April 10, 1995, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The purpose of the District is to furnish local emergency telephone service and a primary emergency telephone number for the residents of Hancock County, Tennessee. The District is governed by a Board of Directors of not less than seven and not more than nine persons. These directors, appointed by the Hancock County Board of Commissioners, consist of the persons holding the following positions: the Sheriff of Hancock County, Mayor of City of Sneedville, Director of the Emergency Medical Service, Superintendent of Roads of Hancock County, Director of Emergency Management Agency of Hancock County, Director of the Medical Clinic, Hancock County Director of Schools and one Hancock County Commissioner.

The District is considered a component unit of Hancock County, Tennessee because the Hancock County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenue, expense and changes 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 the 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:

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2015 has been calculated as follows:

Capital assets	\$ 372,210
Accumulated depreciation	<u>(194,580)</u>
	<u>\$ 177,630</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. 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 of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2015 no allowance for uncollectible accounts was considered necessary.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District’s policy is to apply restricted net position first.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of \$5,000 or more (dollar limit is effective for assets purchased after July 1, 2003). Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to forty years.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

NOTE C - CASH

Cash represents money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were held by the Hancock County Trustee in the District's name and were insured through the Federal Deposit Insurance Corporation or collateralized with securities held by an agent in the name of Hancock County, Tennessee.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 339,336	\$ 0	\$ 0	\$ 339,336
Office equipment	23,574	0	0	23,574
Vehicle	<u>17,700</u>	<u>9,300</u>	<u>(17,700)</u>	<u>9,300</u>
	380,610	9,300	(17,700)	372,210
<u>Accumulated depreciation</u>				
Communications equipment	(141,600)	(41,437)	0	(183,038)
Office equipment	(6,926)	(3,842)	0	(10,768)
Vehicle	<u>(17,700)</u>	<u>(775)</u>	<u>17,700</u>	<u>(775)</u>
	<u>(166,226)</u>	<u>(46,054)</u>	<u>17,700</u>	<u>(194,580)</u>
	<u>\$ 214,384</u>	<u>\$ (36,754)</u>	<u>\$ 0</u>	<u>\$ 177,630</u>

NOTE E - 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 carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 17,781	\$ 17,000	\$ 781
TECB - shared wireless charge	31,022	8,380	22,642
TECB - operational funding program	71,434	209,841	(138,407)
TECB - base amount distributions	112,950	0	112,950
Other operating revenue	<u>38</u>	<u>0</u>	<u>38</u>
TOTAL OPERATING REVENUE	233,225	235,221	(1,996)
OPERATING EXPENSES			
Salaries and wages:			
Director	34,644	34,760	(116)
Part-time personnel	<u>9,032</u>	<u>0</u>	<u>9,032</u>
	43,676	34,760	8,916
Employee benefits:			
Payroll taxes	3,341	3,500	(159)
Medical insurance	<u>3,120</u>	<u>3,000</u>	<u>120</u>
	6,461	6,500	(39)
Contracted services:			
Audit	5,300	5,000	300
Contracts with government agencies	45,000	45,000	0
Addressing and mapping services	0	23,000	(23,000)
Maintenance agreements	15,917	15,400	517
Maintenance and repairs - buildings and facilities	0	500	(500)
Maintenance and repairs - equipment	6,507	2,000	4,507
Maintenance and repairs - vehicles	<u>4,063</u>	<u>8,000</u>	<u>(3,937)</u>
	76,787	98,900	(22,113)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Supplies and materials:			
Office supplies	838	2,600	(1,762)
Postage	30	75	(45)
Small equipment purchases	212	400	(188)
Uniforms and shirts	0	1,000	(1,000)
Fuel - vehicles	0	4,000	(4,000)
Utilities - general telephone	10,677	12,100	(1,423)
	<u>11,757</u>	<u>20,175</u>	<u>(8,418)</u>
Other charges:			
Board meeting expenses	318	500	(182)
Travel	0	300	(300)
Dues and memberships	151	200	(49)
Insurance	5,618	5,810	(192)
Training expenses	0	500	(500)
	<u>6,087</u>	<u>7,310</u>	<u>(1,223)</u>
Depreciation	<u>46,054</u>	<u>39,533</u>	<u>6,521</u>
TOTAL OPERATING EXPENSES	<u>190,823</u>	<u>207,178</u>	<u>(16,355)</u>
INCOME FROM OPERATIONS	42,402	28,043	14,359
NONOPERATING REVENUE			
Sale of capital assets	2,150	0	2,150
TECB - reimbursements or grants	9,300	0	9,300
Interest income	447	0	447
	<u>11,897</u>	<u>0</u>	<u>11,897</u>
CHANGE IN NET POSITION	54,299	28,043	26,256

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
 (continued)

Year Ended June 30, 2015

NET POSITION AT THE BEGINNING OF THE YEAR	<u>724,183</u>	<u>724,183</u>	<u>0</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 778,482</u>	<u>\$ 752,226</u>	<u>\$ 26,256</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2015

Bobby Johnson
Tony Seal
Michelle Hopkins
Dean Rhea
Clem D. Seal
Leamon Maxey
John McNeil, Jr.
David Smith

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Directors
Hancock County Emergency Communications District
Sneedville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Hancock County Emergency Communications District, 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 our report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hancock 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Hancock 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.

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

We noted certain other matters that we have reported to management of Hancock County Emergency Communications District in a separate letter dated February 19, 2016.

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 Hancock County Emergency Communications 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 Hancock County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

February 19, 2016

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

There were no prior year findings reported.