

**HARDEMAN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
(A Component Unit of Hardeman
County, Tennessee)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

June 30, 2015

SCHEDULE OF OFFICIALS

Jerry McCord, Chairman
Carl Gibson, Vice-Chairman
Mary Powell, Secretary
Tony Kirk, Treasurer
Virlene Brown
Jimmy Nuckolls
Terry King
Bobby Naylor
WS Thomas

Management Official

Mary Henderson, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
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Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Hardeman County Emergency Communications District, a component unit of Hardeman County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardeman County Emergency Communications District, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date – an amendment of GASB Statement No. 68. 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 the management's discussion and analysis and schedule of changes in net position liability (asset) and schedule of contributions on pages 4-7 and 21-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hardeman County Emergency Communication District's basic financial statements. The schedule of officials, schedule of expenses and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Hardeman County 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 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 Hardeman County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
November 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hardeman County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. The implementation of Governmental Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pension – an amendment of GASB No. 27 and Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, during 2015 causes some financial information reported in the MD&A for 2015 and 2014 not to be comparable.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$1.25 million and exceeded liabilities in the amount of \$1.15 million (i.e. net position and deferred outflows of resources).
- Net position decreased \$30 thousand during the current year due to \$60 thousand change in net position and a restatement of beginning net position of (\$97)
- During fiscal year 2015, the District answered 17,328 calls and approximately 18,573 calls during 2014.
- Operating revenues were \$369 thousand, a increase from year 2014 in the amount of \$14 thousand or 3.80%.
- Operating expenses were \$308 thousand, a decrease from year 2014 in the amount of \$6 thousand or 1.78%.
- The operating income for the year was \$61 thousand as compared to \$42 thousand during the 2014 fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The Annual Financial Report is made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary information section, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The supplementary information section includes selected financial and operational information. The internal control section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* presents the financial position of the District on a full accrual historical cost basis. The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provides required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary Schedules comparing the budget to actual and detailed expenses are also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net position decreased by \$30 thousand or 2.56% for the fiscal year ended June 30, 2015. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,007,908	\$ 862,669	\$ 145,239	16.84%
Capital assets	237,147	323,547	(86,400)	-26.70%
Total assets	1,245,055	1,186,216	58,839	4.96%
Deferred outflows of resources	12,308	-	12,308	100.00%
Total liabilities	90,853	7,825	83,028	1061.06%
Deferred inflows of resources	18,296	-	18,296	100.00%
Investment in capital assets	237,147	323,547	237,147	-26.70%
Unrestricted net position	911,067	854,844	587,520	6.58%
Net position	<u>\$ 1,148,214</u>	<u>\$ 1,178,391</u>	<u>\$ (30,177)</u>	-2.56%

The decrease in capital assets was due to the continued depreciation of the District's assets and the District's system upgrade in the previous year.

Changes in the District's net position can be determined by reviewing the following condensed statement of revenues, expenses and changes in net position for the years.

Table 2
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 369,136	\$ 355,615	\$ 13,521	3.80%
Non-operating revenues	6,434	6,703	(269)	-4.01%
Total revenues	<u>375,570</u>	<u>362,318</u>	<u>13,252</u>	3.66%
Salaries and wages	81,056	77,534	3,522	4.54%
Employee benefits	8,854	17,940	(9,086)	-50.65%
Contracted services	88,314	87,992	322	0.37%
Supplies and materials	9,231	10,751	(1,520)	-14.14%
Other charges	23,717	22,812	905	3.97%
Depreciation	97,170	96,910	260	0.27%
Total expenses	<u>308,342</u>	<u>313,939</u>	<u>(5,597)</u>	-1.78%
Change in net position	<u>67,228</u>	<u>48,379</u>	<u>18,849</u>	38.96%
Beginning net position	1,178,391	1,130,012	48,379	4.28%
Restatement of beginning net position	(97,405)	-	(97,405)	100.00%
Adjusted beginning net position	<u>1,080,986</u>	<u>1,130,012</u>	<u>(49,026)</u>	-4.34%
Ending net position	<u>\$ 1,148,214</u>	<u>\$ 1,178,391</u>	<u>\$ (30,177)</u>	-2.56%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues showed a 3.80% increase from 2014 to 2015. This increase is due to increased operations and the Tennessee Emergency Communications Board now reimbursing the District. Expenses showed a 1.78% decrease from 2014 to 2015. The decrease was primarily due to the District upgrading software through contracted services in the prior year. Ending net position showed a decrease of 2.56%.

CAPITAL ASSETS

At the end of fiscal year 2015, the system had \$237 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes an office building, automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall decrease (net of increases and decreases) of \$86 thousand or 26.70% over last year.

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2015. These changes are presented in detail in Note 3 to the financial statements.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Office building	\$ 34,961	\$ 39,249	\$ (4,288)	-10.93%
Furniture and fixtures	15,730	20,095	(4,365)	-21.72%
Office equipment	-	457	(457)	-100.00%
Communication equipment	182,994	257,317	(74,323)	-28.88%
Vehicles	3,462	6,429	(2,967)	-46.15%
Total capital assets	<u>\$ 237,147</u>	<u>\$ 323,547</u>	<u>\$ (86,400)</u>	<u>-26.70%</u>

District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District is now participating in a new funding law effective January 1, 2015. They now receive a set amount of \$368,166 per year and the new rate is \$1.16 for all devices capable of calling 911.

The dispatch center is now consolidated and located at the Sheriff's department. The district continues to provide and maintain all necessary 911 equipment.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Hardeman County Emergency Communications District, 120 N. Washington, Bolivar, TN 38008.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$	585,664
Certificate of deposits		402,145
Accounts receivable		-
Accrued interest receivable		706
Prepaid expenses		19,393
Total current assets		1,007,908

Capital Assets

Office building		81,999
Furniture and fixtures		66,009
Office equipment		9,721
Communications equipment		538,668
Vehicles		14,838
Total capital assets		711,235
Less - accumulated depreciation		(474,088)
Net capital assets		237,147
Total assets		1,245,055

Deferred Outflows of Resources

Pension contribution		12,308
Total deferred outflows of resources		12,308

Liabilities

Current Liabilities

Accounts payable		2,986
Compensated absences payable		6,865
Total current liabilities		9,851

Non-current Liabilities

Net pension liability		81,002
Total liabilities		90,853

Deferred Outflows of Resources

Pension changes in experience		4,051
Pension changes in investment earnings		14,245
Total deferred inflows of resources		18,296

Net Position

Investment in capital assets		237,147
Unrestricted net position		911,067
Total net position		\$ 1,148,214

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

Operating revenues	
Emergency telephone service charge	\$ 37,406
State emergency communications board	<u>331,730</u>
Total operating revenues	<u>369,136</u>
 Operating expenses	
Salaries and wages	81,056
Employee benefits	8,854
Contracted services	88,314
Supplies and materials	9,231
Other charges	23,717
Depreciation	<u>97,170</u>
 Total operating expenses	 <u>308,342</u>
 Operating income (loss)	 60,794
 Non-operating revenues (expenses)	
Interest income	<u>6,434</u>
Total non-operating revenues	<u>6,434</u>
 Change in net position	 <u>67,228</u>
 Net position, July 1, 2014	 1,178,391
Restatement of beginning net position	<u>(97,405)</u>
Net position, July 1, 2014 restated	<u>1,080,986</u>
Net position, June 30, 2015	<u>\$ 1,148,214</u>

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:

Cash received from telephone companies and state	\$ 376,262
Cash paid to suppliers of goods and services	(120,453)
Cash paid for employees services	(99,621)
Net cash provided by operating activities	<u>156,188</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	<u>(10,770)</u>
Net cash used by capital and related financing activities	<u>(10,770)</u>

Cash flows from investing activities:

Purchase of investments	(402,145)
Sale of investments	201,147
Interest on investments	6,237
Net cash used by investing activities	<u>(194,761)</u>

Net decrease in cash and cash equivalents **(49,343)**

Cash and cash equivalents, July 1, 2014 635,006

Cash and cash equivalents, June 30, 2015 585,664

Reconciliation of operating income to net cash provided by operating activities

Operating income	60,794
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	97,170
Change in pension related deferred outflows and inflows of resources	5,988
Changes in assets and liabilities:	
Accounts receivable	7,126
Prepays	(512)
Accounts payable	1,321
Net pension liability	(16,404)
Compensated absences	705

Net cash provided by operating activities **\$ 156,188**

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Reporting Entity

The Hardeman County Emergency Communications District (a component unit of Hardeman County, Tennessee) (the District) was established by voter referendum in November 1988, and the assessment of service fees began November 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Hardeman County, Tennessee.

The District is considered a component unit of Hardeman County because the Board of Directors of the District is appointed by the County Commission; the County Commission has the authority to adjust the rates charged by the District; and the County Commission must approve any debt issued by the District.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the Governmental Audit Standards Board (GASB). Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Assets, Liabilities, and Net Position

Deposits and Investments

Cash and cash equivalents include amounts in demand deposits as well as deposits with original maturities of three months or less.

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool and certificates of deposit.

Accounts Receivable and Credit Risk

Accounts receivable represents amounts due from telephone companies less applicable commissions.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

Capital Assets

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. Any purchase of equipment, either for office or system use, purchased at a price in excess of \$5,000 and with an expected life span of 5 years or greater shall be considered a capital asset and carried on the books as such.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

Buildings	30 Years
Equipment, Furniture & Fixtures	5 to 7 Years
Vehicles	5 Years

Compensated Absences

The District allows full-time employees 8 hours of vacation per month for 1-10 years of service, and 12 hours per month for 10-20 years of service. The vacation days will have monetary value, and may be accrued; however, maximum accrual is 24 days for 1-10 years of service and 30 days for 10-20 years of service. A liability is reflected in the financial statements for \$6,865.

The District allows employees to accrue 8 hours per month sick leave. These days can be accrued; however, they have no monetary value except for the purpose granted, or at time of retirement. Therefore, no liability is reflected in the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for this form of reporting – deferred outflows caused by pension contributions as of June 30, 2015.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for this form of reporting – deferred inflows resulted from the pension differences between expected and actual experience and the net differences between projected and actual earnings on pension plan investments as of June 30, 2015.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

Net Position

Net Position is classified for reporting purposes as unrestricted and invested in capital assets. There are currently no restrictions on net position.

Impact of Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and in November 2013 issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. Statement No. 68 improves accounting and financial reporting by state and local governments for pensions and is effective for fiscal years beginning after June 15, 2014. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come do. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The District has implemented GASB Statement No. 68 and 71 for the year ended June 30, 2015. This implementation resulted in the reporting of deferred outflows and inflows and pension liability on the statement of net position.

Pensions

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communication Board and the Tennessee Code Annotated § 7-86-120. This budget is adopted on an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for capital assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents.

State statutes also authorize the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, \$994,339 (all) of the District's bank balance was covered by federal depository insurance. None needed to be covered by the Tennessee Bank Collateral Pool at June 30, 2015.

B. Capital Assets

Changes in capital assets for the period from July 1, 2014 to June 30, 2015, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capitla assets being depreciated				
Office building	\$ 81,999	\$ -	\$ -	\$ 81,999
Furniture and fixtures	66,009	-	-	66,009
Office equipment	9,721	-	-	9,721
Communications equipment	527,898	10,770	-	538,668
Vehicles	<u>14,838</u>	<u>-</u>	<u>-</u>	<u>14,838</u>
Total capital assets being depreciated	<u>700,465</u>	<u>10,770</u>	<u>-</u>	<u>711,235</u>
Less accumulated depreciation				
Office building	42,750	4,288	-	47,038
Furniture and fixtures	45,914	4,365	-	50,279
Office equipment	9,264	457	-	9,721
Communications equipment	270,582	85,092	-	355,674
Vehicles	<u>8,408</u>	<u>2,968</u>	<u>-</u>	<u>11,376</u>
Total accumulated depreciation	<u>376,918</u>	<u>97,170</u>	<u>-</u>	<u>474,088</u>
 Total capital assets, net	 <u>\$ 323,547</u>	 <u>\$(86,400)</u>	 <u>\$ -</u>	 <u>\$ 237,147</u>

C. Operating Leases

The District entered into a 63 month lease on September 9, 2013 for a copy machine. The lease requires a monthly payment of \$90, and the current lease expense is \$1,080. Future minimum lease payments are as follows:

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Year Ended June 30,	
2016	1,080
2017	1,080
2018	1,080
2019	450

NOTE 4 – OTHER INFORMATION

A. Funding Sources

Funds for operations are provided by monthly fees from service users in Hardeman County and by the Tennessee Emergency Communications Board. Service suppliers in Hardeman County collect the service fees and remit the funds to the District. The service suppliers retain one percent of the collections as an administrative fee.

The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and voice over internet protocol services and remits a set percentage to the District.

B. Retirement Plan

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

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

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

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	2
	4

Contributions. Contributions for employees are established in the statutes governing the TCRS and may not only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Hardeman County Emergency Communication District makes employer contributions at the rate set by the Board of Trustees as determined by the actuarial valuation. For the year ended June 30, 2015 employer contributions for Hardeman County Communication District were \$12,308 based on a rate of 15.18 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hardeman County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of an unfunded liability.

Net Pension Liability (Asset)

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

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

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

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

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

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<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 of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Hardeman County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 6/30/13	\$ 303,243	\$ 194,050	109,193
Changes for the year:			
Service Cost	2,004		2,004
Interest	22,478		22,478
Differences between expected and actual experience	(4,557)		(4,557)
Contributions - employer		11,788	(11,788)
Contributions - employee		3,880	(3,880)
Net investment income		32,529	(32,529)
Benefit payments, including refunds of employee contributions	(11,061)	(11,061)	-
Administrative Expenses		(81)	81
Net changes	<u>8,864</u>	<u>37,055</u>	<u>(28,191)</u>
Balance at 6/30/14	<u>\$ 312,107</u>	<u>\$ 231,105</u>	<u>\$ 81,002</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Hardeman County Emergency Communication District's net pension liability (asset)	\$ 130,760	\$ 81,002	\$ 40,094

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

Pension expense. For the year ended June 30, 2015, Hardeman County Emergency Communications District recognized pension income of \$1,893.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,051
Net difference between projected and actual earnings on pension plan investments	-	14,245
Contributions subsequent to the measurement date of June 30, 2014	12,308	-
	\$ 12,308	\$ 18,296

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

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

Year Ended June 30:

2016	\$ (4,067)
2017	(4,067)
2018	(4,067)
2019	(4,067)
2020	(506)
Thereafter	(1,518)

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

Payable to the Pension Plan

At June 30, 2015, *Hardeman County Emergency Communications District* reported a payable of \$12,308 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015

C. Risk Management

The District is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the District purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

D. Restatement of Beginning Net Position – GASB Statement 68 and 71 Implementation

As of July 1, 2014 a restatement of beginning net position was made for net pension liability and deferred inflows/outflows of resources on pension plan investments due to the System implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of GASB Statement No. 68 and 71 resulted in the System restating net position by \$97,405 with a measurement date of June 30, 2014. The net effect of this restatement of beginning net position resulted in a decrease in the July 1, 2014 net position in the amount of \$97,405.

NOTE 5 – OTHER MATTERS

Effective January 1, 2015, service fees assessed to non-wireless telephone subscribers in the County are remitted by the collecting telephone companies directly to the Tennessee Emergency Communications Board (TECB). The TECB allocates the collected revenue by jurisdiction and makes payments to the local emergency communications districts. Prior to January 1, 2015, the District collected revenues from individual telephone companies one month in arrears of the time the charges were actually assessed to telephone subscribers and therefore always had one month of accrued, uncollected revenue receivable at the end of any month. At point of the change in the collection process mandated by the TECB, their decision was to account for revenues on an as-collected basis so the District did not and will not collect the accrued revenues for December, 2014. The effect of this change is to reflect only eleven months of revenue from non-wireless subscribers in the fiscal year ended June 30, 2015. This change did not affect operating cash flows as there were twelve months of actual collections of revenues.

REQUIRED SUPPLEMENTARY INFORMATION

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN TCRS**

Last Fiscal Year ending June 30

	2014
Service cost	\$ 2,004
Interest	22,478
Differences between actual & expected experience	(4,557)
Benefit payments, including refunds of employee contributions	(11,061)
Net change in total pension liability	8,864
Total pension liability-beginning	303,243
Total pension liability-ending (a)	\$ 312,107
Plan fiduciary net position	
Contributions - employer	\$ 11,788
Contributions - employee	3,880
Net investment income	32,529
Benefit payments, including refunds of employee contributions	(11,061)
Administrative expense	(81)
Net change in plan fiduciary net position	37,055
Plan fiduciary net position - beginning	194,050
Plan fiduciary net position - ending (b)	\$ 231,105
Net Pension Liability (asset) - ending (a) - (b)	\$ 81,002
Plan fiduciary net position as a percentage of total pension liability	74.05%
Covered - employee payroll	\$ 77,606
Net pension liability (asset) as a percentage of covered - employee payroll	104.38%

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 the future fiscal years until 10 years of information is available.

See independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATING IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
PUBLIC EMPLOYEE PENSION PLAN TCRS
Fiscal Year ending June 30

	2014	2015
Actuarially determined contribution	\$ 11,788	\$ 12,308
Contributions in relation to the actuarially determined contribution	(11,788)	(12,308)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 77,606	\$ 81,056
Contributions as a percentage of covered-employee payroll	15.19%	15.18%

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 the future fiscal years until 10 years of information is available.

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 year)
Remaining amortization period	16 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

See independent auditor's report.

SUPPLEMENTARY INFORMATION SECTION

The supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Revenues				
Emergency telephone service charge	\$ 35,000	\$ 35,000	\$ 44,532	\$ 9,532
State emergency communications board	324,000	324,000	331,730	7,730
Total revenues	<u>359,000</u>	<u>359,000</u>	<u>376,262</u>	<u>17,262</u>
Expenditures				
Salaries and wages				
Salary director	48,890	48,890	48,883	(7)
Salary administrative personnel	31,470	31,470	31,468	(2)
Employee benefits				
Social security	6,000	6,000	5,017	(983)
Medicare	1,500	1,500	1,173	(327)
Medical insurance	250	250	201	(49)
Payroll expenses	570	570	570	-
Retirement contributions	15,000	15,000	12,308	(2,692)
Contracted services				
Addressing/mapping expense	3,000	3,000	600	(2,400)
Advertising	500	500	428	(72)
Audit service	4,450	4,450	4,445	(5)
Accounting	500	500	-	(500)
Data processing services	1,500	1,500	544	(956)
Fees paid to service providers	48,000	48,000	40,400	(7,600)
Copier service	1,500	1,500	1,080	(420)
Impact payments	30,000	30,000	30,000	-
Janitorial services	700	700	290	(410)
Legal services	1,000	1,000	500	(500)
Maintenance agreement	450	450	-	(450)
Pest control	300	300	215	(85)
Repair and maintenance				
Communications equipment	5,000	5,000	4,776	(224)
Buildings and facilities	5,000	5,000	2,641	(2,359)
Office equipment	500	500	-	(500)
Vehicles	1,000	1,000	75	(925)
Fuel & vehicles	2,000	2,000	739	(1,261)

See the independent auditor's report.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance- Over (Under)
Expenditures				
Supplies and materials				
Office supplies	\$ 3,000	\$ 3,000	\$ 936	\$ (2,064)
Postage	250	280	278	(2)
Small equipment purchases	2,500	2,500	718	(1,782)
Utilities	5,000	5,000	3,128	(1,872)
Telephone	3,500	3,500	3,186	(314)
Cell Phone	1,000	1,000	960	(40)
Other charges				-
Board meeting expenses	2,000	2,000	355	(1,645)
Dues and memberships	2,500	2,514	2,514	-
Insurance				
Workers' comp	1,000	1,000	423	(577)
Liability	1,500	1,500	921	(579)
Building and contents	3,000	4,220	4,220	-
Vehicles	1,900	1,900	1,478	(422)
Premiums on surety bonds	2,000	2,000	833	(1,167)
Public education	700	700	342	(358)
Training expenses	6,000	4,486	3,923	(563)
Travel expenses	10,500	10,500	7,785	(2,715)
Internet charges	1,500	1,750	1,719	(31)
Capital expenditures	30,000	30,000	10,770	(19,230)
 Total expenditures	 286,930	 286,930	 230,842	 (56,088)
 Operating income - budgetary basis	 72,070	 72,070	 145,420	 73,350
 Other Revenues (expenditures)				
Interest income	4,500	4,500	6,237	1,737
 Change in net position - budgetary	 \$ 76,570	 \$ 76,570	 151,657	 \$ 75,087
 Adjustments For:				
Revenues to accrual basis			(6,929)	
Expenses to accrual basis			8,901	
Depreciation expense			(97,170)	
Reclassification of capital expenditures to capital assets			10,770	
Change in net position			67,228	

See the independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES

For the Year Ended June 30, 2015

Salaries and wages	
Salary director	\$ 49,510
Salary administrative personnel	31,546
	<u>81,056</u>
Employee benefits	
Social security	5,017
Medicare	1,173
Medical insurance	201
Payroll expenses	570
Retirement contributions	1,893
	<u>8,854</u>
Contracted services	
Addressing/mapping expense	600
Advertising	428
Audit service	4,445
Data processing services	544
Fees paid to service providers	41,719
Copier service	1,080
Impact payments	30,000
Janitorial services	290
Legal services	500
Pest control	215
Repair and maintenance	
Communications equipment	4,461
Buildings and facilities	3,305
Vehicles	75
Fuel & vehicles	652
	<u>88,314</u>
Supplies and materials	
Office supplies	936
Postage	278
Small equipment purchases	718
Utilities	3,128
Telephone	3,210
Cell Phone	961
	<u>9,231</u>

See the independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES
For the Year Ended June 30, 2015

Other charges	
Board meeting expenses	\$ 355
Dues and memberships	2,514
Insurance	
Workers' comp	423
Liability	921
Building and contents	4,220
Vehicles	1,478
Premiums on surety bonds	833
Public education	342
Training expenses	3,923
Travel expenses	7,040
Internet charges	1,668
	<u>\$ 23,717</u>

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
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Tennessee Society of Certified Public Accountants
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hardeman County Emergency Communications District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hardeman County Emergency Communications District's basic financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardeman 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardeman County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardeman County Emergency Communications District's internal control.

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

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 Hardeman County 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 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*.

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
November 16, 2015

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
June 30, 2015

Current Year Findings

There were no current year findings reported.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
June 30, 2015

Prior Year Findings

There were no prior year findings reported.