

Cozart & Associates, PC
Certified Public Accountants

Haywood County Emergency
Communications District

Annual Financial Report
For the Year Ended June 30, 2008

RECEIVED

JUL 31 2009
COUNTY AUDIT

29 North Lafayette Avenue
Brownsville, TN 38012

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2008**

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HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT OFFICIALS AND BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2008

Management Officials

Kenneth Buie
911 Director

Board Members

Joe Stephens
Chairman

Barbara Phillips
Secretary

Jimmy Studdard Sr.

Lewis Pearson

Jerry White

Kizzie Boyd

Ervin Turner

Patricia Herron

James Ernest

Deane Walton

Kenneth Cozart & Associates PC

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KENNETH COZART, CPA
BOB COZART, CPA

MEMBER:
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Haywood County Emergency Communications District

We have audited the accompanying financial statements of the Haywood County Emergency Communications District (the "District"), a component unit of Haywood County, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Haywood County Emergency Communications District, as of June 30, 2008 and the respective changes in financial position, cash flows thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2009, on our consideration of the Haywood 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 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* and should be considered in assessing the results of our audit.

The Haywood County Emergency Communications District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haywood County Emergency Communications District's basic financial statements. The accompanying supplementary information, such as the Schedule of Expenditures of State Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Roster of Management Officials and Board Members and schedule of information required by the Tennessee Emergency Communications Board has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Bob Cozart
Certified Public Accountant
Kenneth Cozart and Associates, CPA, PC
Brownsville, Tennessee
January 22, 2009

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities - Enterprise Fund	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$393,532	\$393,532
Accounts Receivable	1,138	1,138
Total Current Assets	<u>394,670</u>	<u>394,670</u>
Noncurrent Assets:		
Capital Assets:		
Communications Equipment	217,422	217,422
Less: Accumulated Depreciation	(85,396)	(85,396)
Total Noncurrent Assets	<u>132,026</u>	<u>132,026</u>
Total Assets	<u>526,696</u>	<u>526,696</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,371	2,371
Total Current Liabilities	<u>2,371</u>	<u>2,371</u>
NET ASSETS		
Invested in Capital Assets	132,026	132,026
Unrestricted	392,299	392,299
Total Net Assets	<u>\$524,325</u>	<u>\$524,325</u>

The notes to the financial statements are an integral part of this statement.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Fund	Total
Operating Revenues:		
Charges for sales and services:		
Emergency Telephone Service Charges	\$6,436	\$6,436
Shared Wireless Charges	67,319	67,319
Tennessee Emergency Communications Board - Operating Fund	138,404	138,404
Total Operating Revenues	<u>212,159</u>	<u>212,159</u>
Operating Expenses:		
Administrative Personnel	4,200	4,200
Audit Services	1,200	1,200
Contracts/Government	48,892	48,892
Equipment Rental	28,252	28,252
Office Supplies	3,812	3,812
Postage	300	300
Dues/Memberships	418	418
Travel	908	908
Surety Bond	636	636
Education/Continued	775	775
Building Inspection	6,000	6,000
Depreciation	19,162	19,162
Total Operating Expenses	<u>114,555</u>	<u>114,555</u>
Operating Income	<u>97,604</u>	<u>97,604</u>
Nonoperating Revenues (Expenses):		
Interest Income	2,147	2,147
State Grant Income	6,658	6,658
Total Nonoperating Revenues (Expenses)	<u>8,805</u>	<u>8,805</u>
Change in Net Assets	106,409	106,409
Total Net Assets - Beginning	417,916	417,916
Total Net Assets - Ending	<u>\$524,325</u>	<u>\$524,325</u>

The notes to the financial statements are an integral part of this statement.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Surcharges and Other Revenues	\$212,159	\$212,159
Cash payments to suppliers	(85,604)	(85,604)
Cash payments to employees	(4,200)	(4,200)
Net cash provided by operating activities	122,355	122,355
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from other governments	6,658	6,658
Net cash provided by noncapital financing activities	6,658	6,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant income	0	0
Net cash used by capital and related financing activities	0	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,147	2,147
Net cash provided by investing activities	2,147	2,147
Net Increase in Cash and Cash Equivalents	\$131,160	\$131,160
Cash and Cash Equivalents - July 1	262,372	262,372
Cash and Cash Equivalents - June 30	\$393,532	\$393,532
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$97,604	\$97,604
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	\$19,162	\$19,162
Decrease in accounts receivable	6,116	6,116
Decrease in accounts payable	(527)	(527)
Total Adjustments	\$24,751	\$24,751
Net cash provided by operating activities	\$122,355	\$122,355

The notes to the financial statements are an integral part of this statement.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

I.A.1. INTRODUCTION

The Haywood County Emergency Communications District (the District), a component unit of Haywood County, is a quasi-municipality which was formed in order to establish and provide emergency communications services to the occupants of Haywood County. Revenues are received from a tariff charged and collected by area telephone companies. The District's Board is appointed by the County. The County is provided with the Board's budget for information purposes prior to the beginning of the respective fiscal year. Additionally, final authority on all major decisions rests with the County Commission.

The accounting and reporting framework and the more significant accounting principles and practices of the Haywood County Emergency Communications District are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year year June 30, 2008.

I.B.1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Fund Financial Statements

Fund Financial Statements are provided for the proprietary fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

I.B.2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued November 30, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating activities of the District are charges to customers for services. Operating expenses for this fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I.B.3. FUND TYPES AND MAJOR FUNDS

Proprietary Funds

Enterprise Fund - reports as the fund of the District. This fund is used to account for all financial resources. There are no other funds used in the District.

I.C.1. CASH , INVESTMENTS AND REGUALTIONS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. State statute's authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the Emergency Communications District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulation. The reported value of the pool is the same as the fair value of the pool shares. As of June 30, 2008, investments consisted entirely of certificate of deposits with a local bank.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
JUNE 30 ,2008

I.C.1. CASH, INVESTMENTS AND REGULATIONS (CONT.)

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for demand deposits and certificate of deposits at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2008, there was no exposure to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral held by the pledging financial institution's agency in the entity's name.

I.C.2. CAPITAL ASSETS AND DEPRECIATION

The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District generally capitalizes assets with cost of \$400.00 or more as purchase occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 - 40
Improvements	2 - 40
Furniture, Machinery, and Equipment	3 - 10

I.C.3. FUND EQUITY

The proprietary fund financial statements report restricted net assets for amounts not available for appropriation or legally restricted for specified purposes.

II.A. BUDGETARY INFORMATION

II.A.1. BUDGET POLICY AND PRACTICE

The District's Chairman of the Board submits an annual budget to the Board. The budget is presented to the Board for review and discussion of the allocation of resources. Once approved, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

II.B.2. BASIS OF BUDGETING

The fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: salaries, compensation related, services and supplies, computer and equipment supplies, core material, and miscellaneous. Expenditures may not exceed appropriations.

The budget for the operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2008

II.B.2. BASIS OF BUDGETING (CONT.)

Excess Expenditures for June 30, 2008

During the year ended June 30, 2008, expenditures exceeded the budget level of appropriations as follows:

Contracts/ Gov't	\$2,392
Office Supplies	2,162
Due/ Memberships	68
Surety Bonds	236
Continued Education	775
Building Inspection	6,000

III. DETAILED NOTES ON FUND

III.A.1. RECEIVABLES

Accounts receivable are tariffs due from area telephone companies with the next month. Revenue is recorded when eligibility requirements are met.

III.A.2. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	<u>Capital Assets Depreciated</u> Equipment
Primary Government	
<i>Business-Type Activities</i>	
Balance June 30, 2007	\$217,422
Increases	0
Decreases	0
Adjustments	0
Prior Period Adjustment	0
Balance June 30, 2008	\$217,422
Accumulated Depreciation	
Balance June 30, 2007	(\$66,234)
Increases	(19,162)
Decreases	
Balance June 30, 2008	(\$85,396)
<i>Business -Type Activities</i>	
Capital Assets, Net	\$132,026

III.B.1. RISK MANAGEMENT - CLAIMS AND ADJUSTMENTS

The District is vulnerable to two types of losses. The first is the physical loss of fixed assets from theft, fire, etc. The other is from civil action based on negligence in relation to the disposition of emergency calls. Neither of these losses have occurred since the District's inception. However, the District has third party insurance coverage that is adequate in order to cover any occurrence.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Emergency Telephone Service Charge	\$93,000	\$93,000	\$6,436	(\$86,564)
Shared Wireless Charge	30,000	30,000	67,319	\$37,319
Interest Income	1,800	1,800	2,147	\$347
Tennessee Emergency Communications Board - Operating Fund	0	0	138,404	\$138,404
State Grants	0	0	6,658	\$6,658
Total Revenues	124,800	124,800	220,964	96,164
Expenditures:				
Administrative Personnel	13,800	13,800	4,200	9,600
Audit Services	1,200	1,200	1,200	0
Contracts/Gov't	46,500	46,500	48,892	(2,392)
Legal Services	700	700	0	700
Equipment Rental - Communications	30,000	30,000	28,252	1,748
Office Supplies	1,650	1,650	3,812	(2,162)
Postage	300	300	300	0
Dues/Memberships	350	350	418	(68)
Surety Bonds	400	400	636	(236)
Travel Expenses	3,500	3,500	908	2,592
Continued Education	0	0	775	(775)
Building Inspection	0	0	6,000	(6,000)
Depreciation	26,400	26,400	19,162	7,238
Total Expenditures	124,800	124,800	114,555	10,245
Net Change in Net Assets	0	0	106,409	106,409
Net Assets - Beginning	417,916	417,916	417,916	\$0
Net Assets - Ending	\$417,916	\$417,916	\$524,325	\$106,409

The notes to the financial statements are an integral part of this statement.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD
YEAR ENDED JUNE 30, 2008**

Number of public safety answering points (PSAP): 1

Address of the PSAP: Haywood County Emergency Communications District
1 N Washington Ave.
Brownsville, TN 38012

Type of system/equipment and databased used by PSAP: Positron System/Lifeline 100 Program from
Bell South - Intrado

Chairman's name, address, phone and fax numbers: Joe Stephens
1 N. Washington
Brownsville, TN 38012
phone: 731-772-1432
fax: 731-772-3864

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
JUNE 30, 2008

	GRANT NUMBER	State Grant Amount	Beginning Balance	Receipts	Expenditures	Ending Balance
Department of Commerce and Insurance	Z - 04-020018-00	\$10,000	\$0	\$1,233	\$1,233	\$0
Department of Commerce and Insurance	Z - 06-016982-00	10,000		5,425	5,425	\$0
		<u>\$20,000</u>	<u>\$0</u>	<u>\$6,658</u>	<u>\$6,658</u>	<u>\$0</u>

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**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**

The Board of Directors
Haywood County Emergency Communications District

We have audited the financial statements of the Haywood County Emergency Communications District (the "District"), as of and for the year ended June 30, 2008, and have issued our report thereon dated January 22, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Haywood County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Haywood 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Haywood County Emergency Communications District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Haywood County Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Haywood County Emergency Communications District's audit committee, management, County Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Bob Cozart
Certified Public Accountant
Kenneth Cozart & Associates, CPA, PC
Brownsville, Tennessee
January 22, 2009

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008**

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the accompanying financial statements of the Haywood County Emergency Communications District.
2. No material weaknesses identified or significant deficiencies identified that are considered to be material weaknesses.
3. One instance of noncompliance was disclosed during the audit.

Findings - Financial Statement Audit

Current Year Findings

08-1 Exceeding Budgeted Expenditures (Non-compliance)

Condition:	Expenditures exceeded appropriations allowed by the budget resulting in an instance of noncompliance.
Criteria:	Tennessee Code Annotated 6-56-203 prohibits expenditures to exceed budgeted amounts.
Effects:	Expenditures in excess of the budgeted amounts are unauthorized.
Recommendations:	We recommend that budgets be reviewed on a regular basis and that appropriate amendments to the adopted budget be made when necessary.
Management:	Future budgets will be compared on a monthly basis with actual expenditures and amended as needed to keep expenditures from exceeding budgeted amounts.