

**HAYWOOD COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS
For the Fiscal Year Ended
June 30, 2012**

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2012

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HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF MANAGEMENT OFFICIALS AND BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 2012

(Unaudited)

Management Officials

Starla Singleton
911 Director

Board Members

Joe Stephens, Chairman

Jimmy Studdard Sr., Vice Chairman

Larry Livingston, Secretary

Lewis Pearson, Member

Jerry White, Member

Joyce Pirtle, Member

Ervin Turner, Member

Patricia Herron, Member

Deane Walton, Member

James Ernest, Member

Larry Banks



COWART REESE S A R G E N T

Certified Public Accountants, P.C.

Brownsville | Jackson | Martin | Milan | Paris

R. Kenneth Cozart, CPA
G. Joseph (Joey) Geter, CPA

29 N. Lafayette Avenue
Brownsville, TN 38012
731-772-2273
Fax 731-772-2275
www.crscpa.com

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, 2012, 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, 2012 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 March 1, 2013 on our consideration of the 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 result 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* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

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 budgetary comparison, Schedule of State Awards,

Schedule of Capital Assets, Schedule of Prepaid Warranties are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison, Schedule of State Awards, Schedule of Capital Assets, and Schedule of Prepaid Warranties have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 on page 1 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.



Cowart Reese Sargent, PC
Certified Public Accountants
Brownsville, Tennessee

March 1, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS
HAYWOOD COUNTY EMERGENCY COMMUNICATION DISTRICT (911)
FOR YEAR ENDED JUNE 30, 2012**

As management of Haywood County Emergency Communications District (the District), we offer readers of the Haywood County Emergency Communication District's financial statements this narrative overview the analysis of financial activities of the District for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total funds have been provided.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to financial statements, and should be read in conjunction with, the financial statements and other supplementary information. Summary financial data, key financial and operational indicators are made up of three sections: 1) the introductory section, 2) the financial section, 3) 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, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control over financial reporting and compliance.

REQUIRED FINANCIAL STATEMENTS

Due to the District being a single governmental fund entity, and receiving fund through the wireless charges, the enterprise fund statements are used to prepare financial statements. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenue are recognized when they are earned and expenses are recognized as a liability is incurred. The following statements are included in the financial statements of the District.

The Statement of Net Assets includes all of the District's assets and obligations to the District's creditor (liabilities).

It also provides the basis for computing rate of return, evaluating the capital structure, assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets 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:

- 1) measures the success of the District's operation;
- 2) determines whether the District has been successful to recover all of its costs;
- 3) measures the District's profitability and credit creditworthiness.

The Notes to the Financial Statements provide 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
HAYWOOD COUNTY EMERGENCY COMMUNICATION DISTRICT (911)
FOR YEAR ENDED JUNE 30, 2012**

The Budgetary Comparison Schedule presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the difference between the final budget and the actual expenses for the year.

ENTERPRISE FUND FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve as a useful indicator of the district's financial position. In the case of the District, assets exceeded liabilities by \$1,307,886 at the close of the most recent fiscal year. A portion of the District's net assets (52.0%) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure); less any related debt used to acquire those assets that all still outstanding.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that repayment of the debt must be provided from other resources, since the capital assets cannot be used to liquidate these liabilities.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current and Other Assets	\$ 663,747	\$ 566,133	\$ 97,614	117.24%
Capital Assets (net of Accumulated Dep)	<u>712,181</u>	<u>743,961</u>	<u>(31,780)</u>	95.73%
Total Assets	1,375,928	1,310,094	\$ 65,834	105.03%
Current Liabilities	<u>0</u>	<u>2,208</u>	\$ (2,208)	0.00%
Total Liabilities	<u>0</u>	<u>2,208</u>	\$ (2,208)	0.00%
Invested in Capital Assets	712,181	743,961	\$ (31,780)	95.73%
Unrestricted	<u>663,747</u>	<u>563,925</u>	\$ 99,822	117.70%
Total Net Assets	<u>\$ 1,375,928</u>	<u>\$ 1,307,886</u>	<u>\$ 68,042</u>	105.20%

During the 2012 fiscal year, the Districts net assets increased by \$68,042. The increase is the result of increase in revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
HAYWOOD COUNTY EMERGENCY COMMUNICATION DISTRICT (911)
FOR YEAR ENDED JUNE 30, 2012**

Statement of Activities -- Revenues exceeded expenses \$492,307 for fiscal year ended June 30, 2012.

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$ Variance	% Variance
Operating Revenue	\$ 271,892	\$ 299,090	\$ (27,198)	110%
Non-Operating Revenue	46,652	356,597	\$ (309,945)	764%
Total Revenues	318,544	655,687	\$ (337,143)	206%
Operating Expenditures	155,248	131,874	\$ 23,374	85%
Depreciation & Amortization	95,254	31,506	\$ 63,748	33%
Total Expenditures	250,502	163,380	\$ 87,122	65%
Change in Net Assets	68,042	492,307	\$ (424,265)	724%
Beginning Net Assets	1,307,886	815,579	\$ 492,307	62%
Prior Period Adjustment				
Beginning Net Assets - restated	1,307,886	815,579	\$ 492,307	62%
Ending Net Assets	\$ 1,375,928	\$ 1,307,886	\$ 68,042	95%

COMMENTS ON FUND FINANCIAL STATEMENTS

The District uses proprietary fund accounting to ensure and demonstrate compliance with finance-related requirements.

Enterprise Funds -- The focus of the District's enterprise fund is to provide information on cash inflows from shared wireless charges, outflows for related expenses, and balances of spendable resources. Such information are necessary to assess the District's financial requirements.

In particular, unrestricted fund balance may serve as useful measure of a government's net resources available for spending at the end of fiscal year to meet obligations of creditors and operational requirements of the District.

Revenues in the enterprise fund decreased by \$337,143 in fiscal 2012 in comparison with 2011 year. The operating revenues decreased by \$27,198 and non-operating revenues, which comprise the interest income and contributions from State of Tennessee TECB decreased by \$309,945.

Expenses in the enterprise fund increased by \$87,122 in 2011 in comparison with prior year. The significant expenses were due to the transfer of funds to the county for a tornado shelter, and depreciation on additional capital assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
HAYWOOD COUNTY EMERGENCY COMMUNICATION DISTRICT (911)
FOR YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -- At the end of fiscal year, the District had invested \$743,961 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was \$211,248. Depreciation expense during the current period was \$83,510. No Capital Assets were disposed of during the current period.

Long-Term Debt -- At the end of current fiscal year, the District had no long-term debt.

REQUEST FOR INFORMATION

This financial report is prepared to provide a general overview of the District's finances for citizens, taxpayers, customer, investors, creditors and all other with an interest in the Districts finances. Questions concerning any information provided in this report or requests for additional finance information should be addressed to:

Haywood County Emergency Communications District
County Mayor -- Executive
1 North Washington
Brownsville, TN 38012

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	659,301
Accounts Receivable		4,394
Grants Receivable		-
Accrued Interest - Receivable		52
Total Current Assets		<u>663,747</u>

Noncurrent Assets:

Prepaid Warranties		58,211
Less: Amortization		(13,701)
Capital Assets:		
Computers		27,852
Office Furniture		13,254
Communications Equipment		837,813
Less: Accumulated Depreciation		(211,248)
Total Noncurrent Assets		<u>712,181</u>
Total Assets		<u>1,375,928</u>

LIABILITIES

Current Liabilities:

Accounts Payable		-
Total Current Liabilities		<u>-</u>

NET ASSETS

Invested in Capital Assets		712,181
Unrestricted		663,747
Total Net Assets	\$	<u><u>1,375,928</u></u>

Notes to financial statements are an integral part of this statement.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Operating Revenues:

Charges for sales and services:	
Emergency Telephone Service Charges	\$ 61,318
Shared Wireless Charges	13,469
TECB Contribution - Operating Fund	197,105
State Grants - Operating	22,000
Total Operating Revenues	<u>293,892</u>

Operating Expenses:

Administrative Personnel	7,800
Government Contracts	55,711
Audit Fees	1,700
Office Supplies	3,416
Postage	300
Telephone	10,033
Travel	928
Maintenance Agreements	4,135
Uniforms	328
Continued Education & Trainings	897
Building Insurance	6,000
Transfer to County	64,000
Depreciation	83,510
Amortization - Warranties	11,744
Total Operating Expenses	<u>250,502</u>
 Operating Income	 <u>43,390</u>

Nonoperating Revenues (Expenses):

Interest Income	260
TECB - Grant	8,509
Other Income	15,883
Total Nonoperating Revenues (Expenses)	<u>24,652</u>
Change in Net Assets	68,042

Total Net Assets - Beginning	<u>1,307,886</u>
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Total Net Assets - Ending	<u><u>\$ 1,375,928</u></u>
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Notes to financial statements are an integral part of this statement.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from Surcharges and Other Revenues	\$ 676,460
Cash payments to suppliers	(93,945)
Cash payments to employees	(63,511)
Net cash provided by operating activities	<u>519,004</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Contributions from other governments	<u>-</u>
Net cash provided by noncapital financing activities	<u>-</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	<u>(63,474)</u>
Net cash used by capital and related financing activities	<u>(63,474)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>312</u>
Net cash provided by investing activities	<u>312</u>

Net Increase in Cash and Cash Equivalents 455,842

Cash and Cash Equivalents - July 1 203,459

Cash and Cash Equivalents - June 30 \$ 659,301

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

Operating Income	\$ 68,042
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	83,510
Amortization Expense	11,744
Decrease (Increase) in accounts receivable	358,169
Decrease (Increase) in other assets	(253)
Decrease (Increase) in accounts payable	(2,208)
Total Adjustments	<u>450,962</u>
Net cash provided by operating activities	<u>\$ 519,004</u>

Notes to financial statements are an integral part of this statement.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 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. The board of directors for communication district is responsible for all major budget decisions.

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 June 30, 2012.

NOTE 2 - 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.

NOTE 3 - 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 elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating activities of the District are charges to customers for services. Operating expenses 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 non-operating revenues and expenses.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - 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.

NOTE 5 – SIGNIFICANT ACCOUNTING POLICIES

A. CASH , INVESTMENTS AND REGULATIONS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalent. 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 regulations. The reported value of the pool is the same as the fair value of the pool shares. As of June 30, 2012, investments consisted entirely of certificate of deposits.

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, 2012, there was no exposure to custodial credit risk due to being entirely covered by federal depository insurance, the pool, and pledged collateral held by the pledging financial institution's agency in the entity's name. Haywood County Emergency Communications District has total of \$659,301 of cash and cash equivalent.

B. 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 \$1,000.00 or more at time of purchase. 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:

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

	Estimated Useful Life/Years	Threshold Amount	Capital Asset Category
Buildings	30-40	5,000	Infrastructure
Improvements other Than Buildings	30-40	5,000	Infrastructure
Tower	30-40	1,000	Communication Equipment
Equipment	7-10	1,000	Communication Equipment
Computer Equipment	5-7	1,000	Computer
Furniture and Fixtures	5-7	1,000	Office Furniture

C. FUND EQUITY

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

D. BUDGETARY INFORMATION

E. BUDGET POLICY AND PRACTICE

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets and expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

F. BASIS OF BUDGETING

The fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenses are budgeted by class as follows: salaries, compensation related, services and supplies, computer and equipment, supplies, travel, equipment rental, core material, and miscellaneous. Expenses may not exceed appropriations. The budget for the operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year funds are expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

Budgetary Information

The County Commission is provided with the District's budget for information purposes prior to the beginning of the respective fiscal year. Once approved the Board may amend the legally adopted budget when unexpected modifications are required. However, final authority on all major decisions rests with the County Commission.

During the year ended June 30, 2012, expenditures exceeded the budget level of appropriations.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - RECEIVABLES

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

NOTE 7 - PREPAID WARRANTY

The District purchased extensive communication equipment. The purchase agreement contains a five (5) years service warranty agreement.

NOTE 8 - 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, 2011	\$ 815,445
Increases	63,474
Decreases	-
Balance June 30, 2011	878,919
Accumulated Depreciation	
Balance June 30, 2011	(127,738)
Increases	(83,510)
Decreases	-
Balance June 30, 2011	(211,248)
<i>Business -Type Activities</i>	
Capital Assets, Net	\$ 667,671

NOTE 9 - 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. Other loss are from civil actions 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.

NOTE 10 - LITIGATIONS AND CONTINGENCIES

The District does not have litigations or contingencies at end of fiscal year June 30, 2012.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events are events and transactions that occur subsequent to the financial statement date but before the financial and auditor's report are issued. Subsequent events have been evaluated through April 29, 2013. No significant subsequent events were noted.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Emergency Telephone Service Charge	\$ 70,000	\$ 70,000	\$ 61,318	\$ (8,682)
Emergency Telephone Service - Shared	150,000	150,000	13,469	(136,531)
Other Income			15,884	
TECB - Contribution	-	-	219,105	219,105
Total Revenues	<u>220,000</u>	<u>220,000</u>	<u>309,776</u>	<u>89,776</u>
Operating Expenses:				
Administrative Personnel	158,000	158,000	7,800	150,200
Government Contracts	-	-	55,711	(55,711)
Audit Services	1,800	1,800	1,700	100
Maintenance Agreements	-	-	4,135	(4,135)
Telephone	-	-	10,033	(10,033)
Equipment Rental - Communications	30,000	30,000	-	30,000
Office Supplies	1,000	1,000	3,416	(2,416)
Office Equipment	-	-	-	-
Postage	300	300	300	-
Dues/Memberships	250	250	-	250
Uniforms	-	-	328	(328)
Surety Bonds	450	450	-	450
Travel Expenses	6,000	6,000	928	5,072
Training	12,000	12,000	897	11,103
Building Inspection	-	-	6,000	(6,000)
Transfer to County	-	-	64,000	(64,000)
Depreciation	-	-	83,510	(83,510)
Amortization - Warranties	-	-	11,744	(11,744)
Total Expenses	<u>209,800</u>	<u>209,800</u>	<u>250,502</u>	<u>(40,702)</u>
Operating Income	<u>10,200</u>	<u>10,200</u>	<u>59,274</u>	<u>49,074</u>
Nonoperating Revenue (Expenses):				
Interest Income	500	500	260	(240)
TECB - Grants - Nonoperating	-	-	8,508	8,508
Total Nonoperating Revenues (Expenses)	<u>500</u>	<u>500</u>	<u>8,768</u>	<u>8,268</u>
Increase (Decrease) in Net Assets	<u>10,700</u>	<u>10,700</u>	<u>68,042</u>	<u>57,342</u>
Net Assets - Beginning			1,307,886	
Net Assets - Ending			<u>\$ 1,375,928</u>	

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2012

Grant Number	Contract Date	State Grant Amount	Beginning Balance	Receipts	Expenditures	Accrued Expenses Ending Balance
Department of Commerce and Insurance	7/1/11-6/30/12	\$ 22,000	\$ -	\$ -	\$ 22,000	\$ (22,000)
		<u>\$ 22,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ (22,000)</u>

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
CAPITAL ASSETS SCHEDULE
June 30, 2012

Function and Activity	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Office Equipment - Computers	\$ 27,852	\$ -		\$ 27,852
Office Furnitures	13,254	-		13,254
Communication Equipment	650,803	63,474	-	714,277
Tower	123,536			123,536
	<u>815,445</u>	<u>63,474</u>	<u>-</u>	<u>878,919</u>
Less Accumulated Depreciation	<u>(127,738)</u>	<u>(83,510)</u>	<u>-</u>	<u>(211,248)</u>
Total Governmental Funds Capital Assets	<u><u>\$ 687,707</u></u>	<u><u>\$ (20,036)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 667,671</u></u>

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
PREPAID WARRANTY SCHEDULE
June 30, 2012**

<u>Function and Activity</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Warranty - Sentinel Patriot- 911 System	\$ 45,248	\$ -		\$ 45,248
Warranty - Zetron Radio	12,200	-		12,200
Equipment	763	-		763
	<u>58,211</u>	<u>-</u>	<u>-</u>	<u>58,211</u>
Less Accumulated Depreciation	<u>(1,957)</u>	<u>-</u>	<u>-</u>	<u>(13,701)</u>
Total Governmental Funds Capital Asset	<u>\$ 56,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,510</u>

R. Kenneth Cozart, CPA
G. Joseph (Joey) Geter, CPA

29 N. Lafayette Avenue
Brownsville, TN 38012
731-772-2273
Fax 731-772-2275
www.crscpa.com

**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, 2012, and have issued our report thereon dated March 1, 2013. 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

Management of the District is responsible for establishing and maintaining 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 *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 reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings.

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.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is written in a cursive style with a long, sweeping flourish extending to the right.

Cowart Reese Sargent, PC
Certified Public Accountants
Brownsville, Tennessee

March 1, 2013

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

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. There were instances of noncompliance disclosed during the audit.

Finding 2012-1 - *Expenditures in excess of Budget*

Tennessee Code Annotated 7-86-120 states that no emergency communications district may spend money except in accordance with an adopted budget.

Recommendation:

The District currently reviews budget to actual on a quarterly basis. However, the District needs to ensure that it timely identifies line item expenditures that are likely to exceed budgeted amounts and properly review cause and amend budget is needed.

Management's Response

We concur and will work to ensure that the budget is appropriately amended when warranted.