

**HENDERSON COUNTY EMERGENCY
COMMUNICATION DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2012

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HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2012

Kenneth Vineyard - Chairman

Allan Maness - Vice Chairman

Ida Myracle -Treasurer

Emily Blankenship - Secretary

Lynn Mooney

Joseph Tate

Aundra Moffitt

Jim Lawson

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Our discussion and analysis of Henderson County Emergency Communication District's (the District) financial performance will offer readers of the District's financial statements a narrative overview and review of the financial activities of the District for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets (on pages 7 through 8) provide information about the activities of the District's finances.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 10 - 13.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplemental information concerning the District is required by the Tennessee Emergency Communication Board. This other supplemental information can be found on pages 14 – 15 of this report.

Comparative Data

Statement of Net Assets

	<u>June 30, 2012</u>	<u>Percent of Total</u>	<u>June 30, 2011</u>	<u>Percent of Total</u>
Current and other assets	\$ 507,410	62.45%	\$ 423,757	55.27%
Capital assets	305,121	37.55%	342,990	44.73%
Total assets	<u>812,531</u>	<u>100.00%</u>	<u>766,747</u>	<u>100.00%</u>
Current liabilities	-	100%	22,500	100%
Total liabilities	<u>-</u>	<u>100%</u>	<u>22,500</u>	<u>100%</u>
Net assets				
Invested in capital assets	305,121	37.55%	342,990	46.09%
Unrestricted	507,410	62.45%	401,257	53.91%
Total net assets	<u>\$ 812,531</u>	<u>100.00%</u>	<u>\$ 744,247</u>	<u>100.00%</u>

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

The changes in the District's net assets are described below:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues		
Operating revenues	\$ 340,980	\$ 325,461
Expenses		
Contracted services	210,150	243,249
Supplies and materials	24,574	16,073
Other charges	4,919	5,000
Depreciation	77,827	31,938
Total expenses	<u>317,470</u>	<u>296,260</u>
Operating income (loss)	23,510	29,201
Nonoperating revenue (expenses)	<u>44,774</u>	<u>224,633</u>
Change in net assets	68,284	253,834
Net assets - beginning of year	<u>744,247</u>	<u>490,413</u>
Net assets - end of year	<u>\$ 812,531</u>	<u>\$ 744,247</u>

The District had a current year profit of \$68,284 compared to a profit in the prior year of \$253,834. The prior year's profit was unusually high due to the District receiving capital asset reimbursements from TECB of \$198,166 for relocation expenses. Since the capital assets were purchased in the prior year, they were recorded in the prior year's cash flow statement as a capital activity. However, the reimbursement from TECB is recorded in the current year's cash flow statement as a capital activity since it was a receivable at June 30, 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2012, the District had \$305,121 invested in capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital assets (before accumulated depreciation) increased \$47,328 in the current year due to capital asset purchases. Accumulated depreciation increased by \$61,973 (current year depreciation less disposals). Additional information on capital assets is in Note 6.

Debt

At year-end, the District had no debt.

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The District is dependent on telephone service charges collected by various phone companies and remitted to the District as well as operating grants and capital grants from the State Emergency Communication Board.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$371,340 (including grants of \$180,000 which will be used to help pay mapping expenses, dispatcher training expenses, operating expenses, and capital asset purchases) and expenses of \$371,340.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 170 Justice Center Drive Suite D, Lexington, Tennessee.

Pamelia Tolley
Director



Independent Auditors' Report

Board of Directors
Henderson County Emergency Communication District
Henderson, Tennessee

We have audited the accompanying financial statements of Henderson County Emergency Communication District (the District), a component unit of Henderson County, Tennessee, as listed in the table of contents, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. 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 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 financial position of the District, as of June 30, 2012, and the changes in financial position, and its cash flows thereof for the year then 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 October 17, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 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 principally 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 14 – 15) are presented for purposes of additional analysis and are not required parts of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section 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.

October 17, 2012

Godwin & Associates, PLLC

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 158,624
Investments	327,757
Accounts receivable	10,333
Due from Tennessee Emergency Communications Board	<u>10,696</u>

TOTAL CURRENT ASSETS 507,410

CAPITAL ASSETS

Buildings and improvements	1,962
Office equipment	10,293
Communications equipment	450,795
Vehicles	<u>12,800</u>
	475,850
LESS: accumulated depreciation	<u>(170,729)</u>

NET CAPITAL ASSETS 305,121

TOTAL ASSETS \$ 812,531

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	<u>\$ -</u>
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NET ASSETS

Invested in capital assets	305,121
Unrestricted net assets	<u>507,410</u>

TOTAL NET ASSETS 812,531

TOTAL LIABILITIES AND NET ASSETS \$ 812,531

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Emergency Telephone Service Charges	\$ 133,529
State Emergency Communication Board - shared wireless charges	64,637
State Emergency Communication Board - operational funding	<u>142,814</u>
TOTAL OPERATING REVENUES	<u>340,980</u>
OPERATING EXPENSES	
Contracted Services	210,150
Supplies and Materials	24,574
Other Charges	4,919
Depreciation	<u>77,827</u>
TOTAL OPERATING EXPENSES	<u>317,470</u>
NET OPERATING REVENUE (EXPENSE)	<u>23,510</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	3,413
Interest Income	278
Loss on Disposal of Property	(7,370)
State Emergency Communication Board - Grants & Reimbursements	<u>48,453</u>
NONOPERATING REVENUES (EXPENSES) - NET	<u>44,774</u>
CHANGE IN NET ASSETS	68,284
NET ASSETS - BEGINNING OF YEAR	<u>744,247</u>
NET ASSETS - END OF YEAR	<u><u>\$ 812,531</u></u>

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from surcharges and other revenues	\$ 348,075
Cash payments to suppliers for goods and services	(239,643)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>108,432</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants and reimbursements TECB	<u>48,453</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants and reimbursements TECB	198,166
Purchase of capital assets	(69,828)
CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>128,338</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	278
Investment income	3,413
Purchase of investment securities	(155,025)
CASH USED FOR INVESTING ACTIVITIES	<u>(151,334)</u>
INCREASE IN CASH	133,889
CASH AND CASH EQUIVALENTS - BEGINNING	<u>24,735</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 158,624</u>

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating revenue (expense)	\$ 23,510
Adjustments to reconcile operating revenue to net cash provided by operating activities:	
Depreciation	77,827
Changes in Assets and Liabilities	
Accounts receivable	7,095
CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 108,432</u>

<u>Reconciliation of purchase of capital assets with Statement of Cash Flows</u>	
Capital asset additions per Statement of Net Assets	(47,328)
Change in accounts payable - prior year purchase of capital assets	(22,500)
Purchase of capital assets per Statement of Cash Flows	<u>(69,828)</u>

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. GENERAL INFORMATION

Component unit

The District provides 911 emergency assistance to persons living in Henderson County. The District is a component unit of Henderson County. Accordingly, this financial data is incorporated into the County's financial statements. The District is governed by nine members who are appointed by the Henderson County Commission. The County Commission pays all salaries and benefits for District personnel and furnishes the District's operating headquarters. The District reimburses the County Commission a portion of personnel salaries, which is shown in expenses under contract with government agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GASB Conformity

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

Measurement Focus and Basis of Accounting

The District uses the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

Capital Assets

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of fixed assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating revenues and expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

Fund Accounting

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

3. REVENUES

Revenues are derived from telephone customers in the area served by the District. Each telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2.00 per business line) and remits them to the District.

4. RISK MANAGEMENT

All of the District's fixed assets are located in or on facilities owned by Henderson County. The District owns all office and communications equipment. The District is exposed to loss of personal property by fire, accident or an act of God, as well as tort liabilities and errors and omissions. The District is insured against these risks under the Henderson County government's general insurance coverage. It is also insured against possible loss related to acts of District key officers or directors by a separate blanket fidelity bond carried by the District. The District has had no insurance settlements in excess of insurance coverage during the past three years.

5. CONTRACT AGREEMENT

In a prior year, the District entered into an agreement with Henderson County, Tennessee, whereby the Board of the District is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed that the County would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The District has agreed to remit funds to the County to cover a portion of employees' wages and benefits. This year the District remitted \$196,814 to the County.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 7/1/2011	Additions	Retirements	Balance 6/30/2012
Capital assets being depreciated:				
Buildings and improvements	\$ 25,186	\$ -	\$ 23,224	\$ 1,962
Office equipment	10,293	-	-	10,293
Communications equipment	403,467	47,328	-	450,795
Vehicles	12,800	-	-	12,800
Total capital assets being depreciated	<u>451,746</u>	<u>47,328</u>	<u>23,224</u>	<u>475,850</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,743)	(49)	(15,854)	(938)
Office equipment	(10,293)	-	-	(10,293)
Communications equipment	(68,920)	(77,778)	-	(146,698)
Vehicles	(12,800)	-	-	(12,800)
Total accumulated depreciation	<u>(108,756)</u>	<u>(77,827)</u>	<u>(15,854)</u>	<u>(170,729)</u>
Total capital assets, net	<u>\$ 342,990</u>	<u>\$ (30,499)</u>	<u>\$ 7,370</u>	<u>\$ 305,121</u>

Depreciation expense of \$77,827 was recorded by the District.

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

7.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. The District has no policy that further limits allowable investments. At June 30, 2012, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit 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. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

7.B. BUDGET APPROPRIATIONS

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The District's expenses were within appropriations at the line-item level.

8. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Emergency Telephone Service Charge	\$ 117,656	\$ 133,529	\$ 15,873
State Emergency Communication Board -			
Shared wireless charges	66,000	64,637	(1,363)
Operational funding	12,000	142,814	130,814
TOTAL OPERATING REVENUES	<u>195,656</u>	<u>340,980</u>	<u>145,324</u>
OPERATING EXPENSES			
<u>Contracted Services</u>			
Addressing/Mapping Expenses	100	-	100
Advertising	312	312	-
Audit Services	3,000	2,650	350
Contract with Government Agencies	266,089	157,575	108,514
Fees Paid to Service Providers	4,700	3,390	1,310
Janitorial Services	700	-	700
Legal Services	200	-	200
Lease/Rental - Communications Equipment	22,700	21,094	1,606
Maintenance and Repairs-Communications Equipment	2,927	-	2,927
Maintenance and Repairs-Buildings and Facilities	5,000	1,134	3,866
Maintenance and Repairs-Office Equipment	120,555	23,301	97,254
Maintenance and Repairs-Vehicles	3,500	694	2,806
<u>Supplies and Materials</u>			
Office Supplies	9,253	9,253	-
Uniform and shirts	2,000	1,421	579
Utilities-General Telephone	12,004	12,004	-
Utilities-Cell Phones and Pagers	2,400	1,896	504
<u>Other Charges</u>			
Board Meeting Expenses	550	431	119
Dues and Memberships	300	271	29
Employee Testing and Exams	1,000	141	859
Premiums on Surety Bonds	750	195	555
Public Education	200	-	200
Service Awards	320	320	-
Training Expenses	12,000	450	11,550
Travel	2,539	2,539	-
Internet Charges	1,000	572	428
<u>Depreciation</u>			
Depreciation	-	77,827	(77,827)
TOTAL OPERATING EXPENSES	<u>474,099</u>	<u>317,470</u>	<u>156,629</u>
NET OPERATING REVENUE (EXPENSE)	<u>(278,443)</u>	<u>23,510</u>	<u>301,953</u>
OTHER INCOME (EXPENSE)			
Investment income	3,400	3,413	13
Interest income	150	278	128
Loss on disposal of property	(7,500)	(7,370)	130
TECB-Grants and Reimbursements	166,460	48,453	(118,007)
OTHER INCOME (EXPENSE) NET	<u>162,510</u>	<u>44,774</u>	<u>(117,736)</u>
CHANGE IN NET ASSETS	<u>(115,933)</u>	<u>68,284</u>	<u>184,217</u>
NET ASSETS - BEGINNING OF YEAR	<u>744,247</u>	<u>744,247</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 628,314</u>	<u>\$ 812,531</u>	<u>\$ 184,217</u>

HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Henderson County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

Operating Expenses

Contracted Services

Advertising	\$ 312
Audit Services	2,650
Contracts With Government Agencies	157,575
Fees Paid to Service Providers	3,390
Lease/Rental - Communications Equipment	21,094
Maintenance and Repairs-Buildings and Facilities	1,134
Maintenance and Repairs-Office equipment	23,301
Maintenance and Repairs-Vehicles	694
<u>Total Contracted Services</u>	<u>210,150</u>

Supplies and Materials

Office Supplies	9,253
Uniforms and shirts	1,421
Utilities-General Telephone	12,004
Utilities-Cell Phones and Pagers	1,896
<u>Total Supplies and Materials</u>	<u>24,574</u>

Other Charges

Board Meeting Expenses	431
Dues and Memberships	271
Employee Testing and Exams	141
Premiums on Surety Bonds	195
Service Awards	320
Training Expenses	450
Travel Expenses	2,539
Internet Charges	572
<u>Total Other Charges</u>	<u>4,919</u>

Depreciation

Depreciation	77,827
<u>Total Depreciation</u>	<u>77,827</u>

<u>Total Operating Expenses</u>	<u>\$ 317,470</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**

Board of Directors
Henderson County Emergency Communication District
Lexington, Tennessee

We have audited the financial statements of Henderson County Emergency Communication District (the District), a component unit of Henderson County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. 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 effective internal control over financial reporting. In planning and performing our audit, we considered the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

2012-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

The client's general ledger was materially misstated because personnel did not adjust accounts receivable at year-end. Therefore, material adjustments were required for the financial statements to be materially correct at year-end.

RECOMMENDATION: Personnel should properly record all financial transactions as they occur. Infrequent transactions should be properly classified to present financials in accordance with generally accepted accounting principles.

MANAGEMENT'S RESPONSE: We record all financial information as accurately as possible. During the fiscal year ending June 30, 2012, we received grant money that was a receivable at June 30, 2011. We failed to reverse this receivable by year end on the general ledger. We will strive to keep our accounting and financial reporting documentation as accurate as possible by proper classification of infrequent transactions to present financials in accordance with generally accepted accounting principles.

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. We consider the deficiency described above to be a material weakness.

Compliance and Other Matters

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

DISPOSITION OF PRIOR AUDIT FINDINGS:

None.

The District's response to the finding identified in our audit is described above. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, and the State of Tennessee Comptroller's office and is not intended to be and should not be used by anyone other than these specified parties.

Godwin & Associates, PLLC

October 17, 2012