

*Financial Statements*

HANCOCK COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2013

## TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Revenue, Expenses and Change in Net Position	8-9
Statement of Cash Flows	10-11
Notes to the Financial Statements	12-15
SUPPLEMENTARY INFORMATION	
Statement of Revenue and Expenses - Actual and Budget	16-17
Board of Directors	18
INTERNAL CONTROL AND COMPLIANCE	
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Hancock County Emergency Communications District  
Sneedville, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, which comprise the statement of net position as of June 30, 2013 and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the net position of Hancock County Emergency Communications District as of June 30, 2013 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The statement of revenue and expenses – actual and budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenue and expenses – actual and budget is fairly stated in all material respects in relation to the financial statements as a whole.

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014 on our consideration of Hancock County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County Emergency Communications District's internal control over financial reporting and compliance.

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

March 4, 2014

# Hancock County Emergency Communications District

P.O. Box 347  
Sneedville, TN 37869

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Hancock County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **REQUIRED FINANCIAL STATEMENTS**

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

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

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

### **FINANCIAL ANALYSIS OF THE DISTRICT**

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

## SUMMARIZED FINANCIAL INFORMATION

	<u>2013</u>	<u>2012</u>
<b>NET POSITION</b>		
Current assets	\$ 415,363	\$ 356,261
Capital assets, net of accumulated depreciation	<u>259,662</u>	<u>27,519</u>
<b>TOTAL ASSETS</b>	<u>\$ 675,025</u>	<u>\$ 383,783</u>
Liabilities	\$ 3,722	\$ 388
Net position:		
Investment in capital assets	259,662	27,519
Restricted	0	15,323
Unrestricted	<u>411,641</u>	<u>340,252</u>
	<u>671,303</u>	<u>383,095</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 675,025</u>	<u>\$ 383,783</u>
<b>CHANGE IN NET POSITION</b>		
Operating revenue	\$ 269,445	\$ 191,520
Operating expenses	<u>191,443</u>	<u>181,203</u>
<b>INCOME FROM OPERATIONS</b>	78,002	10,317
Nonoperating revenue	<u>210,206</u>	<u>35,195</u>
<b>CHANGE IN NET POSITION</b>	288,208	45,511
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>383,095</u>	<u>337,583</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 671,303</u>	<u>\$ 383,095</u>

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2013 with net position of \$671,303, which is \$288,208 more than prior year's ending net position of \$383,095, an increase of 75% compared to the prior year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$71,389 or 21% during the year ended June 30, 2013. The increase in net position was due primarily to an increase in investment in capital assets. A large amount of nonoperating revenue was received from the State of Tennessee Emergency Communications Board for equipment purchases.

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

	<u>2013</u>	<u>2012</u>
Emergency telephone service charges	\$ 43,841	\$ 51,515
TECB-shared wireless charge	16,760	15,897
TECB-operational funding program	208,845	124,109

### **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

Revenue from residential phone lines decreased as compared to the prior year and was \$6,159 less than budgeted revenue. State shared wireless revenue increased as compared to the prior year and was \$760 more than the budgeted income. Operating income increased as compared to the prior year and was \$3,620 more than the budgeted income. Actual expenses were \$44,504 less than the budgeted amount.

### **CAPITAL ASSETS**

At June 30, 2013, the District had \$259,662 invested in capital assets, net of accumulated depreciation, an increase of \$232,143 over the prior year.

### **ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing the District is the potential continued decrease in revenue generated from landline telephones. Many residents now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has been a problem in estimating revenue for budget preparation. However, in recent years, increased funding from the Tennessee Emergency Communications Board in the form of operational funding, grants and reimbursements have more than offset the decrease in emergency telephone service charges.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF NET POSITION**

June 30, 2013

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 406,855
Accounts receivable		3,299
Due from TECB		2,859
Prepaid insurance		<u>2,350</u>

**TOTAL CURRENT ASSETS** 415,363

**CAPITAL ASSETS**

Communications equipment	\$ 345,555	
Office equipment	23,574	
Vehicle	<u>17,700</u>	
	386,829	
Accumulated depreciation	<u>(127,167)</u>	<u>259,662</u>

**TOTAL ASSETS** \$ 675,025

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable		\$ 3,488
Accrued payroll liabilities		<u>235</u>

**TOTAL CURRENT LIABILITIES** 3,722

**NET POSITION**

Investment in capital assets	\$ 259,662	
Unrestricted	<u>411,641</u>	<u>671,303</u>

**TOTAL LIABILITIES AND NET POSITION** \$ 675,025

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

Year Ended June 30, 2013

**OPERATING REVENUE**

Emergency telephone service charges		\$ 43,841
TECB-shared wireless charge		16,760
TECB-operational funding program		<u>208,845</u>

**TOTAL OPERATING REVENUE** 269,445

**OPERATING EXPENSES**

Salaries and wages:		
Director	\$ 34,650	
Part-time personnel	<u>8,976</u>	43,626

Employee benefits:		
Social security	3,337	
Medical insurance	6,130	
Unemployment tax	<u>327</u>	9,794

Contracted services:		
Audit	4,700	
Contracts with private agencies	45,000	
Maintenance agreements	15,317	
Maintenance and repairs - equipment	1,760	
Maintenance and repairs - building	200	
Maintenance and repairs - vehicles	<u>5,091</u>	72,068

Supplies and materials:		
Office supplies	2,027	
Postage	32	
Office equipment	7,354	
Utilities-general telephone	<u>10,772</u>	20,185

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

(continued)

Year Ended June 30, 2013

Other charges:		
Dues and memberships	100	
Insurance	5,970	
Travel expenses	<u>168</u>	6,238
Depreciation		<u>39,533</u>
	<b>TOTAL OPERATING EXPENSES</b>	<u>191,443</u>
	<b>INCOME FROM OPERATIONS</b>	78,002
<b>NONOPERATING REVENUE</b>		
Other TECB funding	209,281	
Interest income	<u>925</u>	<u>210,206</u>
	<b>CHANGE IN NET POSITION</b>	288,208
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>		<u>383,095</u>
	<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 671,303</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2013

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from telephone charges	\$ 274,489
Cash paid to suppliers	(94,924)
Cash paid to employees	<u>(53,410)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	126,155
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of equipment	\$ (271,675)
Other TECB funding	<u>209,281</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(62,394)
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest income	<u>925</u>
<b>NET INCREASE IN CASH</b>	64,686
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>342,170</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 406,855</u></u>

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2013

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

Income from operations		\$ 78,002
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 39,533	
(Increase)decrease in:		
Accounts receivable	5,275	
Due from TECB	(232)	
Prepaid insurance	543	
Increase in:		
Accounts payable	3,024	
Accrued payroll liabilities	10	
	<u>48,153</u>	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>\$ 126,155</u></b>

See the accompanying notes to the financial statements.

## HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

#### **NOTE A - DESCRIPTION OF ORGANIZATION**

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

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

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Basis of Accounting

The District's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenue, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2013 has been calculated as follows:

Capital assets	\$ 386,829
Accumulated depreciation	<u>(127,167)</u>
	<u>\$ 259,662</u>

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net position as of June 30, 2013.

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of “restricted” or “investment in capital assets”. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions they may undertake in the future, actual results could differ from these estimates. Estimates are used when accounting for allowances for uncollectible accounts receivable, depreciation, revenue and contingencies.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2013, no allowance for uncollectible accounts was considered necessary.

Use of Restricted/Unrestricted Net Position

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

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

Capital Assets

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

Operating Budget

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

**NOTE C - CASH**

The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

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

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

All cash balances at June 30, 2013 were held by the Hancock County Trustee in the District's name and were insured through the Federal Deposit Insurance Corporation or collateralized with securities held by an agent in the name of Hancock County, Tennessee.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 211,181	\$ 248,624	\$ (114,250)	\$ 345,555
Office equipment	523	23,051	0	23,574
Vehicle	<u>17,700</u>	<u>0</u>	<u>0</u>	<u>17,700</u>
	229,404	271,675	(114,250)	386,829
<u>Accumulated depreciation</u>				
Communications equipment	(184,121)	(36,511)	114,250	(106,382)
Office equipment	(523)	(2,561)		(3,084)
Vehicle	<u>(17,240)</u>	<u>(460)</u>	<u>0</u>	<u>(17,700)</u>
	<u>(201,884)</u>	<u>(39,532)</u>	<u>114,250</u>	<u>(127,167)</u>
	<u>\$ 27,520</u>	<u>\$ 232,143</u>	<u>\$ 0</u>	<u>\$ 259,662</u>

**NOTE E - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 43,841	\$ 50,000	\$ (6,159)
TECB - shared wireless charge	16,760	16,000	760
TECB - operational funding program	<u>208,845</u>	<u>212,464</u>	<u>(3,620)</u>
<b>TOTAL OPERATING REVENUE</b>	269,445	278,464	(9,019)
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	34,650	34,544	106
Part-time personnel	<u>8,976</u>	<u>12,000</u>	<u>(3,024)</u>
	43,626	46,544	(2,918)
Employee benefits:			
Social security	3,337	3,000	337
Medicare	0	704	(704)
Medical insurance	6,130	6,000	130
Unemployment	<u>327</u>	<u>324</u>	<u>3</u>
	9,794	10,028	(234)
Contracted services:			
Audit	4,700	4,800	(100)
Contracts with private agencies	45,000	45,000	0
Contracts with government agencies	0	19,100	(19,100)
Addressing and mapping services	0	23,000	(23,000)
Maintenance agreements	15,317	15,000	317
Maintenance and repairs - buildings and facilities	200	500	(300)
Maintenance and repairs - equipment	1,760	2,000	(240)
Maintenance and repairs - vehicles	<u>5,091</u>	<u>6,500</u>	<u>(1,409)</u>
	72,068	115,900	(43,832)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Supplies and materials:			
Office supplies	2,027	3,900	(1,873)
Postage	32	75	(43)
Small equipment purchases	7,354	400	6,954
Utilities-general telephone	<u>10,772</u>	<u>13,200</u>	<u>(2,428)</u>
	20,185	17,575	2,610
Other charges:			
Dues and memberships	100	200	(100)
Insurance	5,970	5,900	70
Training expenses	0	500	(500)
Travel expenses	<u>168</u>	<u>300</u>	<u>(132)</u>
	6,238	6,900	(662)
Depreciation	<u>39,533</u>	<u>39,000</u>	<u>533</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>191,443</u>	<u>235,947</u>	<u>(44,504)</u>
<b>INCOME FROM OPERATIONS</b>	78,002	42,517	35,485
<b>NONOPERATING REVENUE</b>			
Other TECB funding	209,281	45,764	163,517
Interest income	<u>925</u>	<u>0</u>	<u>925</u>
	210,206	45,764	164,442
<b>CHANGE IN NET POSITION</b>	288,208	88,282	199,926
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>383,095</u>	<u>383,095</u>	<u>0</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 671,303</u>	<u>\$ 471,376</u>	<u>\$ 199,926</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2013

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

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Directors  
Hancock County Emergency Communications District  
Sneedville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Hancock County Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hancock County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock County Emergency Communications District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hancock County Emergency Communications District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 4, 2014