

CANNON COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

(A Component Unit)

Financial Statements

June 30, 2014

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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Introductory Section

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cannon County Emergency Communications District
Woodbury, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the Cannon County Emergency Communications District, a component unit of Cannon County, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cannon County Emergency Communications District, a component unit of Cannon County, Tennessee as of June 30, 2014, and the changes in its financial 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 the Required Supplementary Information which includes the Management's Discussion and Analysis 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2014 on the consideration of the District's internal control over financial reporting and the 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 the 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 the entity's internal control over financial reporting and compliance.

September 30, 2014

John R. Paol, CPA

Cannon County Emergency Communications District

Management's Discussion and Analysis

As management of the Cannon County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Cannon County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$845,671. Of this amount, \$273,063 (unrestricted net position) may be used to meet the District's ongoing obligations. The District's total net position increased by \$93,935 during the current year, primarily as a result of higher revenues as compared to the prior year and lower operating expenses than expected.

Overview of the Financial Statements:

The Statement of Net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents the flow of cash inflows/outflows during the fiscal year.

The basic financial statements can be found on pages 6-8 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-12 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the Cannon County Emergency Communications District, assets exceeded liabilities by \$845,671 at the close of the most recent fiscal year.

By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

Cannon County Emergency Communications District's Net position - 2014

Current and other assets	\$	316,761
Capital assets, net		<u>658,260</u>
Total assets		<u>975,021</u>
Long-term debt		84,355
Other liabilities		<u>44,995</u>
Total liabilities		<u>129,350</u>
Net position:		
Net investment in capital assets		572,608
Unrestricted		<u>273,063</u>
Total net position	\$	<u>845,671</u>

Cannon County Emergency Communications District's Net position - 2013

Current and other assets	\$	220,377
Capital assets, net		<u>651,950</u>
Total assets		<u>872,327</u>
Long-term debt		89,952
Other liabilities		<u>30,639</u>
Total liabilities		<u>120,591</u>
Net position:		
Net investment in capital assets		560,757
Unrestricted		<u>190,979</u>
Total net position	\$	<u>751,736</u>

At the end to the current fiscal year, the District is able to report positive balances in all categories of net position.

Comparison to prior year

	<u>2014</u>	<u>2013</u>	<u>Favorable (Unfavorable Variance</u>
Operating Revenues:			
Emergency Telephone Service Charge	\$99,220	\$101,748	(\$2,528)
State TECB Operational funding	146,182	124,182	22,000
State Emergency Communications Board Wireless Charge	35,350	33,921	1,429
Total Operating Revenues	<u>280,752</u>	<u>259,851</u>	<u>20,901</u>
Operating Expenses:			
Salaries and wages	296,119	270,522	(25,597)
Employee benefits	79,224	67,565	(11,659)
Dues	3,095	3,518	423
Addressing and mapping	17,325	17,141	(184)
Depreciation	75,135	67,437	(7,698)
Supplies	19,743	12,341	(7,402)
Insurance	7,274	7,139	(135)
Professional services	15,405	13,900	(1,505)
Training and travel	12,305	13,967	1,662
Utilities	29,524	24,380	(5,144)
Repair and maintenance	30,336	45,860	15,524
Total Operating Expenses	<u>585,485</u>	<u>543,770</u>	<u>(41,715)</u>
Operating income (loss)	<u>(304,733)</u>	<u>(283,919)</u>	<u>(20,814)</u>
Nonoperating Revenues (Expenses):			
Operating grants- State	37,251	80,369	(43,118)
Operating grants - City and County	148,753	148,753	0
Loss on disposal of assets	(20,128)	(24,807)	4,679
Other income	55,608	5,741	49,867
Interest expense	198	0	198
Total Nonoperating Revenues (Expenses)	<u>221,682</u>	<u>210,056</u>	<u>11,626</u>
Capital contributions	<u>176,986</u>	<u>149,037</u>	<u>27,949</u>
Net change in net position	<u>93,935</u>	<u>75,174</u>	<u>18,761</u>

Capital Assets

The Cannon County Emergency Communications District's investment in capital assets from its activities at June 30, 2014, amounts to \$658,260 (net of accumulated depreciation). This investment in capital assets is in communications equipment and vehicles.

	<u>2013</u>	<u>2014</u>
Land	20,000	20,000
Building	277,129	277,129
Software	19,785	19,785
Equipment and vehicles	<u>540,071</u>	<u>617,058</u>
Total	856,985	933,972
Less accumulated depreciation	<u>(205,035)</u>	<u>(275,712)</u>
Net Capital Assets	<u>651,950</u>	<u>658,260</u>

Additional information on the Cannon County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

The District has a loan related to the construction of its facility. The outstanding balance at year end is \$85,652. The loan is paying down as scheduled.

Additional information on the Cannon County Emergency Communications District's long-term debt can be found in the notes to the financial statements section of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sue Patrick
Cannon County Emergency Communications District

Financial Statements

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Position

June 30, 2014

<u>Assets</u>	<u>Account Number</u>	
Current Assets:		
Cash and cash equivalents	1001	\$90,751
Certificate of deposits	1001	66,932
Accounts receivable	1004	130,492
Prepaid maintenance	1009	28,586
Total Current Assets		<u>316,761</u>
Capital Assets:		
Land	1351	20,000
Building and improvements	1302	277,129
Communication equipment	1308	542,808
Communication software	1308	19,785
Vehicles	1310	29,236
Office equipment	1306	45,014
Less accumulated depreciation -building	1303	(52,450)
Less accumulated depreciation -office	1307	(24,239)
Less accumulated depreciation -equipment	1309	(174,283)
Less accumulated depreciation -vehicles	1311	(8,353)
Less accumulated depreciation - software	1309	(16,387)
Total Capital Assets, Net		<u>658,260</u>
 Total Assets		 <u><u>\$975,021</u></u>
 <u>Liabilities</u>		
Current Liabilities		
Accounts payable	2001	26,824
Accrued liabilities	2020	16,874
Current portion of long-term debt	2202	1,297
Total Current Liabilities		<u>44,995</u>
 <u>Other Liabilities</u>		
Long-term debt	2202	<u>84,355</u>
 Total liabilities		 <u><u>\$129,350</u></u>
 Net Position:		
Unrestricted	2320	273,063
Net investment in capital assets	2301	572,608
Total Net position		<u>845,671</u>

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

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Position**

For the Year Ended June 30, 2014

	Account Number	
Operating Revenues:		
Emergency Telephone Service Charge	3001	\$99,220
State TECB Operational funding	3003	146,182
State Emergency Communications Board Wireless Charge	3002	<u>35,350</u>
Total Operating Revenues		<u>280,752</u>
 Operating Expenses:		
Salaries	4001	296,119
Employee benefits	4100	79,224
Dues	4405	3,095
Addressing and mapping	4201	17,325
Depreciation	4500	75,135
Supplies	4301	19,743
Insurance	4409	7,274
Professional services	4203	15,405
Training and travel	4418	12,305
Occupancy	4307	29,524
Repair and maintenance	4232	<u>30,336</u>
Total Operating Expenses		<u>585,485</u>
 Operating income (loss)		<u>(304,733)</u>
 Nonoperating Revenues (Expenses):		
Operating grants - State	5005	37,251
Operating grants - City and County	5006	148,753
Loss on disposal of equipment	5011	(20,128)
Miscellaneous income - insurance proceeds	5009	55,608
Interest income	5002	198
Total Nonoperating Revenues (Expenses)		<u>221,682</u>
 Capital contributions	6003	<u>176,986</u>
 Change in net position		<u>93,935</u>
 Net Position, June 30, 2013		<u>751,736</u>
 Net Position, June 30, 2014		<u>\$845,671</u>

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

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2014

Cash Flows from Operating Activities:	
Cash received from customers	\$280,752
Cash paid to employees	(375,343)
Cash paid to suppliers	(197,396)
Net Cash Provided (Used) by Operating Activities	<u>(291,987)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	176,986
Debt service payments - principal	(5,541)
Acquisition of capital assets	(101,572)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>69,873</u>
Cash Flows from Noncapital Activities:	
Grant contributions for operations	186,004
Net Cash Provided (Used) by Noncapital Activities	<u>186,004</u>
Cash Flows from Investing Activities:	
Redemption (purchase) of certificate of deposit	(351)
Interest received	198
Net Cash Provided (Used) by Investing Activities	<u>(153)</u>
Net Increase (decrease) in Cash	(36,263)
Cash and Cash Equivalents, June 30, 2013	<u>127,014</u>
Cash and Cash Equivalents, June 30, 2014	<u><u>\$90,751</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	(\$304,733)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	75,135
Other income	55,608
Change in assets (increase) decrease:	
Accounts receivable	(103,710)
Prepaid maintenance	(28,586)
Change in liabilities increase (decrease):	
Accounts payable and accrued expenses	<u>14,299</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$291,987)</u></u>

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

Notes to Financial Statements

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cannon County Emergency Communications District (the District) is a political subdivision established pursuant to Sections 7-87-101 through Section 7-86-117 of the Tennessee Code Annotated and the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County . The District is considered a political subdivision and is exempt from Federal and State income taxes. The District is considered a component unit of Cannon County. The County appoints the board of directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Cannon County Commission indirectly imposes its will on the District.

Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable. The District uses the measurement focus in these financial statements.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 60 days or less to be cash equivalents.

Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets

Capital Assets of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for capital assets in service is from 3 to 10 years. The District capitalizes interest incurred on construction projects.

Estimates

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board has the ability to change line item amounts without a formal vote if the change does not increase the amounts budgeted.
- b. The budget amounts shown (page 13) are the final authorized amounts as amended during the year.

The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts establishes the legal budget level of control to be at the line-item level.

Operating revenues and operating expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. The District has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

	<u>Balance</u> <u>6-30-13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6-30-14</u>
Land	20,000	-	-	20,000
Building	277,129	-	-	277,129
Communication equip.	451,231	101,572	9,995	542,808
Vehicle	29,236	-	-	29,236
Software	19,785	-	-	19,785
Office equipment	<u>59,604</u>	<u>-</u>	<u>14,590</u>	<u>45,014</u>
	856,985	101,572	24,585	933,972
Less accumulated depreciation	<u>(205,035)</u>			<u>(275,712)</u>
Utility plant - net	<u>\$651,950</u>			<u>658,260</u>

Depreciation expense for the year was \$75,135. Accumulated depreciation is as follows—buildings \$52,450, software \$16,387, Office equipment \$24,239, communications equipment \$174,283, Vehicles \$8,353.

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014

Note 4 - LONG-TERM DEBT

The District constructed a new facility for its operations using an advance from Cannon County, Tennessee in the amount of \$100,000.

The following is a summary of changes in long-term debt:

	<u>Balance</u> <u>6-30-13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-14</u>
Construction loan	91,193	-	5,541	85,652

Future maturities of note principal and interest are as follows:

<u>Year</u>	<u>Principal</u>
2015	1,297
2016	1,355
2017	1,416
2018	1,480
2019	1,547
2020-2024	8,842
2025-2029	11,019
2030-2034	13,732
2035-2039	17,112
2040-2044	21,325
2045-2046	<u>6,527</u>
Total	<u>85,652</u>

This loan which is now (previously a Rural Development loan) payable to Cannon County, Tennessee bears no interest.

The Building of the District is pledged as collateral on the bonded indebtedness until the existing loan is paid in full.

Note 5 - 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, and natural disasters. The District purchases commercial financial bonded insurance for its Treasurer and Chairman. For all other risks, the District has decided to self-insure. There have been no claims during the last three years.

Supplemental Information

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Schedule of Revenues and Expenses
Budget and Actual**

For the Year Ended June 30, 2014

		<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Operating Revenues:	<u>Number</u>			
Emergency Telephone Service Charge	3001	\$98,915	\$99,220	\$305
State TECB Operational funding	3003	169,563	146,182	(23,381)
State Emergency Communications Board Wireless Charge	3002	32,142	35,350	3,208
Total Operating Revenues		<u>300,620</u>	<u>280,752</u>	<u>(19,868)</u>
Operating Expenses:				
Salaries and wages	4001	296,172	296,119	53
Employee benefits	4100	91,669	79,224	12,445
Dues	4405	3,700	3,095	605
Addressing and mapping	4201	18,300	17,325	975
Depreciation	4500	85,742	75,135	10,607
Supplies	4301	20,150	19,743	407
Insurance	4409	9,314	7,274	2,040
Professional services	4203	16,250	15,405	845
Training and travel	4418	12,700	12,305	395
Occupancy	4307	35,261	29,524	5,737
Repair and maintenance	4232	61,129	30,336	30,793
Total Operating Expenses		<u>650,387</u>	<u>585,485</u>	<u>64,902</u>
Operating income (loss)		<u>(349,767)</u>	<u>(304,733)</u>	<u>(84,770)</u>
Nonoperating Revenues (Expenses):				
Grants- State	5005	204,732	37,251	(167,481)
Operating grants - City and County	5006	148,753	148,753	0
Loss on disposal of equipment	5011	0	(20,128)	(20,128)
Miscellaneous income	5009	0	55,608	55,608
Interest income	5002	1,600	198	(1,402)
Total Nonoperating Revenues (Expenses)		<u>355,085</u>	<u>221,682</u>	<u>(133,403)</u>
Capital contribution		<u>0</u>	<u>176,986</u>	<u>176,986</u>
Net change in net position		<u>5,318</u>	<u>93,935</u>	<u>88,617</u>

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2014

<u>Type of Customer</u>		<u>Rate</u>
Residential customers	\$	1.50
Business customers	\$	3.00

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2014

DeKalb Telephone Company

Residential customers	approximately	3,400
Business customers	approximately	1,900

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2014

<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2013</u>	<u>Cash Receipts</u>	<u>Other Receipts</u>	<u>Cash Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2014</u>
N/A	GIS Grant	State of Tennessee Commerce and Insurance	\$0	34,839	0	34,839	0
N/A	CAD/Mapping	State of Tennessee Commerce and Insurance	\$0	127,515	0	127,515	0
N/A	Monthly recurring	State of Tennessee Commerce and Insurance	\$0	2,412	0	2,412	0
N/A	Operational funding	State of Tennessee Commerce and Insurance	\$20,697	124,262	0	124,182	20,617
N/A	Equipment	State of Tennessee Commerce and Insurance	\$0	0	0	49,471	49,471
N/A	Dispatcher	State of Tennessee Commerce and Insurance	\$0	22,000	0	22,000	0
Totals			<u>20,697</u>	<u>311,028</u>	<u>0</u>	<u>360,419</u>	<u>70,088</u>

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Debt Service Requirements

June 30, 2014

<u>Year</u>	<u>CAPITAL OUTLAY BUILDING</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,297	0
2016	1,355	0
2017	1,416	0
2018	1,480	0
2019	1,547	0
2020	1,616	0
2021	1,689	0
2022	1,765	0
2023	1,844	0
2024	1,927	0
2025	2,014	0
2026	2,105	0
2027	2,200	0
2028	2,299	0
2029	2,402	0
2030	2,510	0
2031	2,623	0
2032	2,741	0
2033	2,864	0
2034	2,993	0
2035	3,128	0
2036	3,269	0
2037	3,416	0
2038	3,570	0
2039	3,730	0
2040	3,898	0
2041	4,073	0
2042	4,257	0
2043	4,448	0
2044	4,648	0
2045	4,858	0
2046	1,668	0
	<u>\$ 85,652</u>	<u>0</u>

This loan payable to Cannon County, Tennessee bears no interest.

Compliance and Internal Control

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' 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
Cannon County Emergency Communications District
Woodbury, Tennessee

I have audited 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, the financial statements of the Cannon County Emergency Communications District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Cannon County Emergency Communications District's basic financial statements, and have issued a report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Cannon 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 the Cannon County Emergency Communications District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Cannon County Emergency Communications District's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2005-001 Lack of segregation of Duties).

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 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. 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2005-001) to be a material weakness.

The material weakness is as follows:

2005-001 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cannon County Emergency Communications District's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

The Cannon County Emergency Communications District's response to the finding identified in the audit is described above. The Cannon County Emergency Communications District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

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



September 30, 2014

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Disposition of Prior Year Comments

June 30, 2014

2005-001 Separation of Duties

Due to the size of the office, a complete separation of duties is not possible. However the District is continuing to monitor office responsibilities and segregate duties as needed.

Disposition:

Due to the size of the office, a complete separation of duties is not possible. However they are continuing to monitor office responsibilities and segregate duties as needed.