

*Financial Statements*

HANCOCK COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2014

## 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
Prior Year Findings and Questioned Costs	21

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, 2014 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 the 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 the 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 financial position of Hancock County Emergency Communications District 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 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 the 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 the 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 February 25, 2015 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.

February 25, 2015

# 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, 2014. 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 accountants' audit 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 change 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>2014</u>	<u>2013</u>
<b>NET POSITION</b>		
Current assets	\$ 510,538	\$ 415,363
Capital assets, net of accumulated depreciation	<u>214,384</u>	<u>259,662</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 724,922</u></b>	<b><u>\$ 675,025</u></b>
Liabilities	\$ 739	\$ 3,722
Net position:		
Investment in capital assets	214,384	259,662
Unrestricted	<u>509,799</u>	<u>411,641</u>
	<u>724,183</u>	<u>671,303</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 724,922</u></b>	<b><u>\$ 675,025</u></b>
 <b>CHANGE IN NET POSITION</b>		
Operating revenue	\$ 234,321	\$ 269,445
Operating expenses	<u>182,218</u>	<u>191,443</u>
<b>INCOME FROM OPERATIONS</b>	52,103	78,002
Nonoperating revenue	<u>777</u>	<u>210,206</u>
<b>CHANGE IN NET POSITION</b>	52,880	288,208
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>671,303</u>	<u>383,095</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<b><u>\$ 724,183</u></b>	<b><u>\$ 671,303</u></b>

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2014 with net position of \$724,183, which is \$52,880 more than prior year's ending net position of \$671,303, an increase of 8% 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 \$98,158 or 23% during the year ended June 30, 2014. The increase in net position was smaller than in the prior year primarily due to one time funding received during the year ended June 30, 2013.

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

	<u>2014</u>	<u>2013</u>
Emergency telephone service charges	\$ 39,143	\$ 43,841
TECB-shared wireless charge	17,466	16,760
TECB-operational funding program	177,019	208,845

### **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 \$10,857 less than budgeted revenue. State shared wireless revenue increased as compared to the prior year and was \$15,466 more than the budgeted income. Operational funding revenue decreased as compared to the prior year and was \$10,319 more than the budgeted income. Actual expenses were \$36,456 less than the budgeted amount.

### **CAPITAL ASSETS**

At June 30, 2014, the District had \$214,384 invested in capital assets, net of accumulated depreciation, a decrease of \$45,278 or 17% over the prior year. The decrease was entirely caused by depreciation.

### **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 Hancock County Emergency Communications District, P.O. Box 347, Sneedville, TN 37869

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF NET POSITION**

June 30, 2014

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 498,661
Accounts receivable		2,877
Due from TECB		2,956
Due from primary government		3,266
Prepaid insurance		<u>2,778</u>

**TOTAL CURRENT ASSETS** 510,538

**CAPITAL ASSETS**

Communications equipment	\$ 339,336	
Office equipment	23,574	
Vehicles	<u>17,700</u>	
	380,610	
Accumulated depreciation	<u>(166,226)</u>	<u>214,384</u>

**TOTAL ASSETS** \$ 724,922

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable		\$ 739
------------------	--	--------

**NET POSITION**

Investment in capital assets	\$ 214,384	
Unrestricted	<u>509,799</u>	<u>724,183</u>

**TOTAL LIABILITIES AND NET POSITION** \$ 724,922

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, 2014

**OPERATING REVENUE**

Emergency telephone service charges		\$ 39,143
TECB-shared wireless charge		17,466
TECB-operational funding program		177,019
Other operating revenue		<u>693</u>

**TOTAL OPERATING REVENUE** 234,321

**OPERATING EXPENSES**

Salaries and wages:		
Director	\$ 34,759	
Part-time personnel	<u>9,146</u>	43,905
Employee benefits:		
Payroll taxes	3,359	
Medical insurance	<u>3,561</u>	6,920
Contracted services:		
Audit	5,000	
Contracts with government agencies	45,000	
Maintenance agreements	13,029	
Maintenance and repairs - equipment	1,256	
Maintenance and repairs - vehicles	<u>4,131</u>	68,416
Supplies and materials:		
Office supplies	1,083	
Postage	32	
Uniforms and shirts	902	
Utilities-general telephone	<u>10,526</u>	12,543

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2014

Other charges:		
Dues and memberships	100	
Insurance	4,943	
Travel expenses	<u>112</u>	5,155
Depreciation		<u>45,279</u>
	<b>TOTAL OPERATING EXPENSES</b>	<u>182,218</u>
	<b>INCOME FROM OPERATIONS</b>	52,103
<b>NONOPERATING REVENUE</b>		
Interest income		<u>777</u>
	<b>CHANGE IN NET POSITION</b>	52,880
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>		<u>671,303</u>
	<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 724,183</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2014

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from telephone charges	\$ 231,380
Cash paid to suppliers	(89,291)
Cash paid to employees	<u>(51,060)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	91,030
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest income	<u>777</u>
<b>NET INCREASE IN CASH</b>	91,806
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>406,855</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 498,661</u></u>

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2014

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

Income from operations		\$ 52,103
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 45,279	
(Increase)decrease in:		
Accounts receivable	422	
Due from TECB	(97)	
Due from primary government	(3,266)	
Prepaid insurance	(428)	
(Decrease) in:		
Accounts payable	(2,749)	
Accrued payroll liabilities	(235)	
		<u>38,926</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>\$ 91,030</u></b>

See the accompanying notes to the financial statements.

## HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

#### **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, expense 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, 2014

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2014 has been calculated as follows:

Capital assets	\$ 380,610
Accumulated depreciation	<u>(166,226)</u>
	<u>\$ 214,384</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, 2014.

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.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2014 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.

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.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2014

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**

Cash represents money on deposit in various banks. 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, 2014 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, 2014

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/14</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 345,555	\$ 0	\$ (6,219)	\$ 339,336
Office equipment	23,574	0	0	23,574
Vehicle	<u>17,700</u>	<u>0</u>	<u>0</u>	<u>17,700</u>
	386,829	0	(6,219)	380,610
<u>Accumulated depreciation</u>				
Communications equipment	(106,382)	(41,437)	6,219	(141,600)
Office equipment	(3,084)	(3,842)	0	(6,926)
Vehicle	<u>(17,700)</u>	<u>0</u>	<u>0</u>	<u>(17,700)</u>
	<u>(127,167)</u>	<u>(45,279)</u>	<u>6,219</u>	<u>(166,226)</u>
	<u>\$ 259,662</u>	<u>\$ (45,279)</u>	<u>\$ 0</u>	<u>\$ 214,384</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, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 39,143	\$ 50,000	\$ (10,857)
TECB - shared wireless charge	17,466	2,000	15,466
TECB - operational funding program	177,019	166,700	10,319
Other operating revenue	<u>693</u>	<u>0</u>	<u>693</u>
<b>TOTAL OPERATING REVENUE</b>	234,321	218,700	15,621
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	34,759	34,650	109
Part-time personnel	<u>9,146</u>	<u>12,000</u>	<u>(2,854)</u>
	43,905	46,650	(2,745)
Employee benefits:			
Payroll taxes	3,359	3,680	(321)
Medical insurance	3,561	3,600	(39)
Unemployment	<u>0</u>	<u>360</u>	<u>(360)</u>
	6,920	7,640	(720)
Contracted services:			
Audit	5,000	5,000	0
Contracts with private agencies	0	2,400	(2,400)
Contracts with government agencies	45,000	45,000	0
Addressing and mapping services	0	23,000	(23,000)
Maintenance agreements	13,029	15,317	(2,288)
Maintenance and repairs - buildings and facilities	0	500	(500)
Maintenance and repairs - equipment	1,256	1,173	82
Maintenance and repairs - vehicles	<u>4,131</u>	<u>12,000</u>	<u>(7,869)</u>
	68,416	104,390	(35,974)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Supplies and materials:			
Office supplies	1,083	4,100	(3,017)
Postage	32	75	(43)
Small equipment purchases	0	400	(400)
Uniforms and shirts	902	1,500	(598)
Utilities-general telephone	10,526	11,200	(674)
	<u>12,543</u>	<u>17,275</u>	<u>(4,732)</u>
Other charges:			
Board meeting expenses	0	1,500	(1,500)
Dues and memberships	100	200	(100)
Insurance	4,943	5,910	(967)
Training expenses	0	500	(500)
Travel expenses	112	300	(188)
	<u>5,155</u>	<u>8,410</u>	<u>(3,255)</u>
Depreciation	<u>45,279</u>	<u>34,309</u>	<u>10,970</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>182,218</u>	<u>218,674</u>	<u>(36,456)</u>
<b>INCOME FROM OPERATIONS</b>	52,103	26	52,077
<b>NONOPERATING REVENUE</b>			
Interest income	<u>777</u>	<u>0</u>	<u>777</u>
<b>CHANGE IN NET POSITION</b>	52,880	26	52,854
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>671,303</u>	<u>671,303</u>	<u>0</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 724,183</u>	<u>\$ 671,329</u>	<u>\$ 52,854</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2014

Bobby Johnson  
Michael Antrican  
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, which comprise the statement of net position as of June 30, 2014, and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 25, 2015.

**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*.

We noted certain other matters that we have reported to management of Hancock County Emergency Communications District in a separate letter dated February 25, 2015.

## **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.

February 25, 2015

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2014

There were no prior year findings reported.