# HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT

## ANNUAL FINANCIAL REPORT

## JUNE 30, 2014

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**INDEPENDENT AUDITOR'S REPORT, FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**
**JUNE 30, 2014**

## Table of Contents


| | Page |
|---|---|
| **Introductory Section** | |
| Table of Contents | 1 |
| Roster of Board of Directors | 2 |
| Independent Auditor's Report | 3 – 4 |
| **Management's Discussion and Analysis** | 5 – 8 |
| **Financial Section** | |
| Statement of Net Position | 9 |
| Statement of Revenues, Expenses, and Changes in Net Position | 10 |
| Statement of Cash Flows | 11 |
| Notes to the Financial Statements | 12 – 17 |
| **Supplemental Information** | |
| Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual | 18 |
| Schedule of Detailed Expenses | 19 |
| **Compliance and Internal Control Report** | |
| Independent Auditor's 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* | 20 – 21 |

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**ROSTER OF BOARD OF DIRECTORS**
**JUNE 30, 2014**

Kenneth Vineyard - Chairman

Allan Maness - Vice Chairman

Ida Myracle -Treasurer

Emily Blankenship - Secretary

Tim Bowman

Jim Lawson

Aundra Moffitt

Lynn Mooney

Joseph Tate

GODWIN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 Main Street, Savannah, Tennessee 38372
Phone 731.925.6547 Fax 731.925.9524

## Independent Auditor's Report

Board of Directors
Henderson County Emergency Communications District
Henderson, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of Henderson County Emergency Communications District (the District), a component unit of Henderson 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*

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2014, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Member: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our 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 (pages 1 – 4) and the supplemental information (pages 18 – 19) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 supplemental information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Godwin & Associates, PLLC

October 31, 2014

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2014**

As management of the Henderson County Emergency Communications District's (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. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

## Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $1,105,153 (*net position*). Of this amount, $750,604 represents unrestricted net position, which may be used to meet the District's ongoing obligations. Capital assets increased by $218,328 due to upgrade and replacement of the District's system.
- Net position increased $176,124 or 18.96%.
- Operating revenues were $289,136, a decrease from the prior year of $26,428 or 8.37%.
- Operating expenses were $423,560, an increase from the prior year of $97,774 or 30%.
- The operating income (loss) for the year was $(134,444) compared to a prior year loss of $(10,242).

## Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of four sections: 1) introductory section, 2) financial section, 3) supplemental information section, and (4) compliance and internal control section. The introductory section includes table of contents and the District's roster of Board of Directors. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplemental information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance.

***Proprietary Funds***. A proprietary fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *statement of net position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The *statement of revenues, expenses and changes in net position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the 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 the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs.

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The *supplementary schedule* comparing the budget to actual expenses and a schedule of detailed expenses are also presented as supplementary information.

## Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $1,105,153 at the close of the most recent fiscal year.

## Statement of Net Position

| | June 30, 2014 | Percent of Total | June 30, 2013 | Percent of Total |
|---|---|---|---|---|
| Current and other assets | $ 767,889 | 68.41% | $ 677,778 | 72.96% |
| Capital assets | 354,549 | 31.59% | 251,251 | 27.04% |
| Total assets | 1,122,438 | 100.00% | 929,029 | 100.00% |
| Current liabilities | 17,285 | 100% | - | 100% |
| Total liabilities | 17,285 | 100% | - | 100% |
| Investment in capital assets | 354,549 | 32.08% | 251,251 | 27.04% |
| Unrestricted net position | 750,604 | 67.92% | 677,778 | 72.96% |
| Total net position | $ 1,105,153 | 100.00% | $ 929,029 | 100.00% |

The increase in capital assets is due to an upgrade of the District's systems.

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

| | June 30, 2014 | June 30, 2013 |
|---|---|---|
| **Revenues** | | |
| Operating revenues | $ 289,136 | $ 315,564 |
| **Expenses** | | |
| Contracted services | 268,701 | 194,723 |
| Supplies and materials | 27,276 | 40,806 |
| Other charges | 12,573 | 7,281 |
| Depreciation | 115,030 | 82,996 |
| Total expenses | 423,580 | 325,806 |
| **Operating income (loss)** | (134,444) | (10,242) |
| **Nonoperating revenue (expenses)** | 92,240 | 97,614 |
| **Income before capital contribution** | (42,204) | 87,372 |
| **Capital contributions** | 218,328 | 29,126 |
| **Change in net position** | 176,124 | 116,498 |
| **Net position - beginning of year** | 929,029 | 812,531 |
| **Net position - end of year** | $ 1,105,153 | $ 929,029 |

The District had a current year net increase in net position of $176,124 compared to $116,498 in the prior year. The increase in the change in net position from the prior year to the current year is due to the District receiving increased grants and reimbursements from the Tennessee Emergency Communications Board.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 2014, the District had $723,304 invested in capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital assets (before accumulated depreciation) increased $218,328 in the current year due to capital asset purchases. Accumulated depreciation increased by $115,030 (current year depreciation). Additional information on capital assets is in Note 6.

### Debt

At year-end, the District had no debt.

## ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

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

A budget is prepared before each fiscal year. Next year the budget shows total revenues of $416,886 (including grants of $165,000 which will be used to help pay mapping expenses, dispatcher training expenses, operating expenses, and capital asset purchases) and expenses of $416,886.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Pamelia Tolley
Director

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**STATEMENT OF NET POSITION**
**JUNE 30, 2014**

## ASSETS

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash | $ 434,660 |
| Investments | 275,000 |
| Accounts receivable | 4,761 |
| Due from other governments | 41,431 |
| Due from Tennessee Emergency Communications Board | 12,037 |
| **TOTAL CURRENT ASSETS** | 767,889 |
| **CAPITAL ASSETS** | |
| Buildings and improvements | 1,962 |
| Office equipment | 10,293 |
| Communications equipment | 669,123 |
| Vehicles | 41,926 |
| | 723,304 |
| LESS: accumulated depreciation | (368,755) |
| **NET CAPITAL ASSETS** | 354,549 |
| **TOTAL ASSETS** | 1,122,438 |

## LIABILITIES AND NET POSITION

| | |
|---|---|
| **LIABILITIES** | |
| Accounts payable | 17,285 |
| **NET POSITION** | |
| Investment in capital assets | 354,549 |
| Unrestricted net position | 750,604 |
| **TOTAL NET POSITION** | $ 1,105,153 |



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

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Emergency Telephone Service Charge | $ 72,148 |
| Dispatching Revenues | 3,000 |
| Tennessee Emergency Communications Board - Shared Wireless Charge | 71,128 |
| Tennessee Emergency Communications Board - Operational Funding | 142,860 |
| **TOTAL OPERATING REVENUES** | 289,136 |
| **OPERATING EXPENSES** | |
| Contracted Services | 268,701 |
| Supplies and Materials | 27,276 |
| Other Charges | 12,573 |
| Depreciation | 115,030 |
| **TOTAL OPERATING EXPENSES** | 423,580 |
| **OPERATING INCOME (LOSS)** | (134,444) |
| **NONOPERATING REVENUES AND (EXPENSES)** | |
| Interest Income | 260 |
| Investment Income | 2,105 |
| Tennessee Emergency Communications Board - Grants & Reimbursements | 89,875 |
| **TOTAL NONOPERATING REVENUES AND (EXPENSES)** | 92,240 |
| **INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION** | (42,204) |
| **CAPITAL CONTRIBUTIONS** | |
| Capital Contributions from Tennessee Emergency Communications Board | 218,328 |
| **CHANGE IN NET POSITION** | 176,124 |
| **NET POSITION - BEGINNING OF YEAR** | 929,029 |
| **NET POSITION - END OF YEAR** | $ 1,105,153 |



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

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash receipts from surcharges and other revenues | $ 247,991 |
| Cash payments to suppliers for goods and services | (291,265) |
| **CASH USED FOR OPERATING ACTIVITIES** | (43,274) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Grants and reimbursements TECB | 89,875 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Grants and reimbursements TECB | 218,328 |
| Purchase of capital assets | (218,328) |
| **CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES** | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest income | 260 |
| Investment income | 2,105 |
| Redemption of investment securities | 200,000 |
| **CASH PROVIDED BY INVESTING ACTIVITIES** | 202,365 |
| **INCREASE IN CASH** | 248,966 |
| **CASH AND CASH EQUIVALENTS - BEGINNING** | 185,694 |
| **CASH AND CASH EQUIVALENTS - ENDING** | $ 434,660 |

| | |
|---|---|
| **RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | |
| Net operating revenue (expense) | $ (134,444) |
| Adjustments to reconcile operating revenue to net cash provided by operating activities: | |
| Depreciation | 115,030 |
| **Changes in Assets and Liabilities** | |
| Accounts receivable | 682 |
| Due from other governments | (41,431) |
| Due from Tennessee Emergency Communications Board | (396) |
| Accounts payable | 17,285 |
| **CASH USED FOR OPERATING ACTIVITIES** | $ (43,274) |



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

## 1. GENERAL INFORMATION

**Component unit**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

**Proprietary Funds**

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

### B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

### Cash and Cash Equivalents

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

### Receivables

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

### Capital Assets

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

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

### Operating Revenues and Expenses

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

**Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e. g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the 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.

**Net Position**

In the District's financial statements, equity is classified as net position and displayed in three components:

a. Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable acquisition, construction, or improvement of those assets.
b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

## 3. REVENUES

Revenues are derived from telephone customers in the area served by the District. Telephone companies and the TECB collect monthly fees and remit them to the District.

## 4. RISK MANAGEMENT

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

## 5. CONTRACT AGREEMENT

In a prior year, the District entered into an agreement with Henderson County, Tennessee, whereby the Board of the District is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode.

Further, the parties agreed that the County would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The District has agreed to remit funds to the County to cover a portion of employees' wages and benefits. This year the District remitted $202,861 to the County.

## 6. CAPITAL ASSETS

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

| | Balance 7/1/2013 | Additions | Retirements | Balance 6/30/2014 |
|---|---|---|---|---|
| Capital assets being depreciated: | | | | |
| Buildings and improvements | $ 1,962 | $ - | $ - | $ 1,962 |
| Office equipment | 10,293 | - | - | 10,293 |
| Communications equipment | 450,795 | 218,328 | - | 669,123 |
| Vehicles | 41,926 | - | - | 41,926 |
| Total capital assets being depreciated | 504,976 | 218,328 | - | 723,304 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (987) | (49) | - | (1,036) |
| Office equipment | (10,293) | - | - | (10,293) |
| Communications equipment | (227,703) | (109,156) | - | (336,859) |
| Vehicles | (14,742) | (5,825) | - | (20,567) |
| Total accumulated depreciation | (253,725) | (115,030) | - | (368,755) |
| Total capital assets, net | $ 251,251 | $ 103,298 | $ - | $ 354,549 |

Depreciation expense of $115,030 was recorded by the District.

## 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

## 7.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. The District has no policy that further limits allowable investments. At June 30, 2014, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

## 7.B. BUDGET APPROPRIATIONS

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

The District's expenses were not within appropriations at the line-item level.

## 8. ESTIMATES AND ASSUMPTIONS

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

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**
**IN NET POSITION - BUDGET AND ACTUAL**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Emergency Telephone Service Charge | $ 113,838 | $ 72,148 | $ (41,690) |
| Dispatching Revenues | 3,000 | 3,000 | - |
| State Emergency Communication Board - | | | |
| Shared wireless charges | 84,900 | 71,128 | (13,772) |
| Operational funding | 22,000 | 142,860 | 120,860 |
| **TOTAL OPERATING REVENUES** | 223,738 | 289,136 | 65,398 |
| **OPERATING EXPENSES** | | | |
| Contracted Services | | | |
| Addressing/Mapping Expenses | 100 | - | 100 |
| Advertising | 300 | - | 300 |
| Audit Services | 3,000 | 3,000 | - |
| Contract with Government Agencies | 311,464 | 202,861 | 108,603 |
| Fees Paid to Service Providers | 4,700 | 4,212 | 488 |
| Legal Services | 200 | - | 200 |
| Maintenance Agreements | 20,236 | 20,010 | 226 |
| Lease/Rental - Communications Equipment | 15,209 | 15,209 | - |
| Maintenance and Repairs-Communications Equipment | 4,150 | 4,150 | - |
| Maintenance and Repairs-Buildings and Facilities | 1,500 | 740 | 760 |
| Maintenance and Repairs-Office Equipment | 16,654 | 16,654 | - |
| Maintenance and Repairs-Vehicles | 5,000 | 1,865 | 3,135 |
| Supplies and Materials | | | |
| Office Supplies | 5,181 | 6,447 | (1,266) |
| Uniform and shirts | 2,250 | 1,160 | 1,090 |
| Utilities-General Telephone | 15,443 | 15,443 | - |
| Utilties-Cell Phones and Pagers | 2,540 | 2,540 | - |
| Other Supplies and Materials | 1,686 | 1,686 | - |
| Other Charges | | | |
| Board Meeting Expenses | 750 | 686 | 64 |
| Dues and Memberships | 709 | 709 | - |
| Employee Testing and Exams | 1,000 | 314 | 686 |
| Premiums on Surety Bonds | 750 | - | 750 |
| Public Education | 200 | - | 200 |
| Service Awards | 300 | - | 300 |
| Training Expenses | 12,000 | 4,084 | 7,916 |
| Travel | 5,481 | 5,481 | - |
| Internet Charges | 1,500 | 1,299 | 201 |
| Depreciation | | | |
| Depreciation | - | 115,030 | (115,030) |
| **TOTAL OPERATING EXPENSES** | 432,303 | 423,580 | 8,723 |
| **OPERATING INCOME (LOSS)** | (208,565) | (134,444) | 74,121 |
| **NONOPERATING REVENUES AND (EXPENSES)** | | | |
| Interest Income | 625 | 260 | (365) |
| Investment Income | 2,800 | 2,105 | (695) |
| Tennessee Emergency Communiciations Board-Grants & Reimbursements | 200,000 | 89,875 | (110,125) |
| **TOTAL NONOPERATING REVENUES AND (EXPENSES)** | 203,425 | 92,240 | (111,185) |
| **INCOME BEFORE CAPITAL CONTRIBUTION** | (5,140) | (42,204) | (37,064) |
| **CAPITAL CONTRIBUTIONS** | - | 218,328 | 218,328 |
| **CHANGE IN NET POSITION** | (5,140) | 176,124 | 181,264 |
| **NET POSITION - BEGINNING OF YEAR** | 929,029 | 929,029 | - |
| **NET POSITION - END OF YEAR** | $ 923,889 | $ 1,105,153 | $ 181,264 |



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

**HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**
**(a component unit of Henderson County, Tennessee)**
**SCHEDULE OF DETAILED EXPENSES**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | |
|---|---|
| Operating Expenses | |
| Contracted Services | |
| Audit Services | $ 3,000 |
| Contracts With Government Agencies | 202,861 |
| Fees Paid to Service Providers | 4,212 |
| Maintenance Agreements | 20,010 |
| Lease/Rental - Communications Equipment | 15,209 |
| Maintenance and Repairs-Communications Equipment | 4,150 |
| Maintenance and Repairs-Buildings and Facilities | 740 |
| Maintenance and Repairs-Office equipment | 16,654 |
| Maintenance and Repairs-Vehicles | 1,865 |
| Total Contracted Services | 268,701 |
| Supplies and Materials | |
| Office Supplies | 6,447 |
| Uniforms and shirts | 1,160 |
| Utilities-General Telephone | 15,443 |
| Utilities-Cell Phones and Pagers | 2,540 |
| Other Supplies and Materials | 1,686 |
| Total Supplies and Materials | 27,276 |
| Other Charges | |
| Board Meeting Expenses | 686 |
| Dues and Memberships | 709 |
| Employee Testing and Exams | 314 |
| Training Expenses | 4,084 |
| Travel Expenses | 5,481 |
| Internet Charges | 1,299 |
| Total Other Charges | 12,573 |
| Depreciation | |
| Depreciation | 115,030 |
| Total Depreciation | 115,030 |
| Total Operating Expenses | $ 423,580 |

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

GODWIN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 Main Street, Savannah, Tennessee 38372
Phone 731.925.6547 Fax 731.925.9524

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

Board of Directors
Henderson County Emergency Communication District
Lexington, Tennessee

We have audited, 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, the financial statements of Henderson County Emergency Communication District (the District), a component unit of Henderson County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated October 31, 2014.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

**2014-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS**
The client's general ledger was materially misstated because personnel did not book accounts payable at year-end. Therefore, material adjustments were required for the financial statements to be materially correct at year-end.

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

**MANAGEMENT'S RESPONSE:** We record all financial information as accurately as possible. We will strive to keep our accounting and financial reporting documentation as accurate as possible by proper classification of infrequent transactions to present financials in accordance with generally accepted accounting principles.


Member: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described above to be a material weakness.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**2014-02 EXPENSES EXCEEDING BUDGETED AMOUNTS**

The District had expenses that exceeded budgeted amounts at line-item levels.

**Recommendation:** We recommend that expenses be monitored and budget amendments be made when necessary.

**Management's Response:** We agree and will monitor more closely in the future.

**DISPOSITION OF PRIOR AUDIT FINDINGS:**

None.

**The District's Response to Findings**

The District's response to the findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 the 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 the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoelin & Associates, PLLC

October 31, 2014