

**Henry County Emergency
Communications District
Audited Financial Statements
For The Year Ended
June 30, 2014**



TABLE OF CONTENTS

ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Detailed Expenses	16
Schedule of Budgetary Comparison	17
INTERNAL CONTROL AND COMPLIANCE SECTION	
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	19

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
June 30, 2014**

BOARD MEMBERS

John Etheridge – Chairman

Mike Shankle – Vice Chairman

Betty Carter – Treasurer / Secretary

Charles Elizondo – Member

Michael Williams – Member

Bobby Kilzer – Member

Ray Norwood – Member

Ron Watkins – Member

Monte Belew - Member

MANAGEMENT OFFICIALS

Mark Archer – Director / Secretary



John R. (Jack) Reese, CPA
David R. Horner, CPA

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INDEPENDENT AUDITORS' REPORT

November 3, 2014

To the Board of Directors
Henry County Emergency Communications District
Paris, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Henry County Emergency Communications District), a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2014, 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 the accrual basis of accounting. Management is also responsible for 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 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 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, 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 Henry County Emergency Communications District as of June 30, 2014, and the results of its operation and cash flows for the year then ended in conformity 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 management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to 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 basis 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 does 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 taken as a whole. The schedules of detailed operating expenses and budgetary comparison listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Henry County Emergency Communications District. Such information is the responsibility of management and derives 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, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3 2014 on our consideration of the Henry County Emergency Communication District's internal control over financial reporting and on our test 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 Henry County Emergency Communication District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cowart Reese Sargent". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right from the end of the name.

Cowart Reese Sargent,

Certified Public Accountants, P.C.

Martin, TN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's 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 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 obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund 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. The 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 balance 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 as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. 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 changes in it is presented on the following page.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information on the previous page, the District's current assets have decreased \$76,497 during the year ended June 30, 2014 and net capital assets increased \$197,494. The increase in net capital assets was due to the remodeling of the new district building during the year. All the new equipment was purchased from funds on hand and required no borrowing. Net assets increased by \$109,218. The emergency telephone service charge revenues, of the District, decreased by \$36,431. The state shared wireless revenues increased by an amount of \$5,961. The District also received \$238,727 in state operational funding. With a decrease of \$146,819 in other income, the overall result is a decrease in total revenues of \$196,641.

The total operating expenses for the District increased by 30.6%. The majority of the increase in operating expenses is due to an increase in salaries and wages. The nonoperating revenues decreased by \$146,819. This decrease is a result of a decrease in capital grants received in the current year.

BUDGETARY HIGHLIGHTS

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

The comparison between actual revenues and expenditures and budgeted revenues and expenditures are favorable. Income from residential and business phone lines are \$4,593 less than the amount budgeted and the state shared wireless charges are \$1,145 more than the amount budgeted. These revenue variances along with the state operational funding and other income variance, there is a total favorable revenue variance of \$35,380 over the budgeted amounts. The largest variance is the state wireless additional funding, which is \$29,372 actual revenues over budgeted revenues.

All of the line item expenditures of the District show favorable variances when comparing the budgeted amounts with the actual amounts, with the exception of customer coverage and office expenses. Each of these became under budgeted as a result of the accruals required for reporting purposes. The salaries and wages are under the budgeted amounts by \$8,246, while the employee benefits are under the budgeted amounts by \$2,987. Contracted services indicate a favorable variance of \$4,555. The supplies and materials have a favorable variance of \$55, while the other charges have a favorable variance of \$12,671. The overall effect of the favorable revenue and expenditure variances is a \$32,042 favorable variance, as compared with the budgeted amounts. These figures are based on a cash basis actual to budget comparison.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$1,559,033 with accumulated depreciation of \$181,857. Investments in capital assets are \$1,377,716 for the current year. Capital assets include communications equipment and, building construction..

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing Henry County Emergency Communications District is the decrease in revenue generated from landline telephones. Many individuals are using cellular phones and VOIP services instead of landline services. While the increase in cell phone and VOIP services generate 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.

Due to the steady number of individuals who change their service providers during a given year, in addition to the continual emergence and departure of telephone service providers, it is extremely difficult to estimate revenues for budgeting purposes.

The increased availability of state grants and reimbursements is also a major economic factor for the District. The District's ability to qualify for the various types of grants and reimbursements enables the District to acquire and maintain the necessary equipment and services to continue to operate the District efficiently and effectively.

This financial report is designed to provide the readers 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:

Henry County Emergency Communications District
PO Box 1452
100 N. Caldwell St.
Paris, TN 38242
(731) 642-0911

SUMMARIZED FINANCIAL INFORMATION

	NET POSITION		Dollar Change	Percentage Change
	<u>2014</u>	<u>2013</u>		
Current assets	\$ 775,646	\$ 852,143	\$ (76,497)	-9.0%
Capital assets	<u>1,377,176</u>	<u>1,179,682</u>	<u>197,494</u>	16.7%
Total Assets	2,152,822	2,031,825	120,997	6.0%
Current liabilities	16,597	17,208	(611)	-3.6%
Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	-
Total liabilities	<u>28,987</u>	<u>17,208</u>	<u>(611)</u>	-3.6%
Net assets	<u>\$ 2,123,835</u>	<u>\$ 2,014,617</u>	<u>\$ 109,218</u>	5.4%
Summary of net assets				
Investment in capital assets	1,377,176	1,179,682	197,494	16.7%
Unrestricted net position	<u>746,659</u>	<u>834,935</u>	<u>(88,276)</u>	-10.6%
	<u>\$ 2,123,835</u>	<u>\$ 2,014,617</u>	<u>\$ 109,218</u>	5.4%
	CHANGES IN NET POSITION			
Revenues	\$ 437,655	\$ 487,477	\$ (49,822)	-10.2%
Operating expenses	<u>354,789</u>	<u>281,131</u>	<u>73,658</u>	26.2%
Operating income (loss)	82,866	206,346	(123,480)	-59.8%
Nonoperating expenses net of revenues	<u>38,744</u>	<u>185,563</u>	<u>(146,819)</u>	-79.1%
Changes in net position	121,610	391,909	(270,299)	
Net position				
Beginning	<u>2,014,617</u>	<u>1,622,708</u>	<u>391,909</u>	
Ending	<u>\$ 2,136,227</u>	<u>\$ 2,014,617</u>	<u>\$ 121,610</u>	

FINANCIAL SECTION

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
6/30/2014

Assets

Current Assets

Cash - checking	\$ 257,486
Investment - certificates of deposit	484,531
Accrued interest receivable	145
Accounts receivable	33,484
Total Current Assets	<u>775,646</u>

Noncurrent Assets

Capital assets	
Land	114,860
Buildings and improvements	738,472
Furniture and fixtures	111,591
Office equipment	8,851
Communications equipment	585,259
	<u>1,559,033</u>
Less accumulated depreciation	(181,857)
Total Noncurrent Assets	<u>1,377,176</u>

Total Assets	<u><u>\$ 2,152,822</u></u>
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Liabilities and Net Position

Current Liabilities

Accounts payable	16,597
Total Current Liabilities	<u>16,597</u>

Total Liabilities	<u>16,597</u>
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Net Position

Investment in capital assets	1,377,176
Unrestricted	759,049
Total Net Position	<u>2,136,225</u>

Total Liabilities and Net Position	<u><u>\$ 2,152,822</u></u>
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See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Operating Revenues:	
Emergency telephone service charges	\$ 86,957
State Emergency Communications Board - shared wireless charge	82,349
State Emergency Communications Board - operational funding	238,727
State Wireless Additional Fund	29,372
Miscellaneous income	250
Total Operating Revenues	<u>437,655</u>
Operating Expenses:	
Salaries and wages	60,624
Employee benefits	16,450
Contracted services	95,362
Supplies and materials	20,042
Other charges	76,165
Depreciation	82,646
Total Operating Expenses	<u>351,289</u>
Operating Income (Loss)	<u>86,366</u>
Nonoperating Revenues (Expenses)	
Interest income	5,044
State Emergency Communications Board - grants & reimbursements	30,000
Rental income	3,700
Net Nonoperating Revenues (Expenses)	<u>38,744</u>
Income Before Contributions and Transfers	125,110
Change in Net Position	125,110
Total Net Position at Beginning of Year	<u>2,014,617</u>
Total Net Position at End of Year	<u><u>\$ 2,139,727</u></u>

See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities	
Cash received from customers	\$ 456,996
Cash paid to suppliers	(179,792)
Cash paid to employees	(60,624)
Cash paid for employee benefits	(16,450)
Net Cash Provided by Operating Activities	<u>200,130</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(280,140)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(280,140)</u>
Cash Flows from Noncapital Financing Activities	
Proceeds from GIS grant - State Emerg. Comm. Board	30,000
Net Cash Provided (Used) by Investing Activities	<u>30,000</u>
Cash Flows from Investing Activities	
Cash received from rental income	3,700
Cash received from interest income	5,044
Purchase of Investments	(4,893)
Net Cash Provided (Used) by Investing Activities	<u>3,851</u>
Net Increase in Cash and Cash Equivalents	(46,159)
Cash and Cash Equivalents at Beginning of Year	319,535
Cash and Cash Equivalents at End of Year	<u>\$ 273,376</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 86,366
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation expense	82,646
(Increase) decrease in accounts receivable	19,341
Increase (decrease) in accounts payable	11,777
Net Cash Provided (Used) by Operating Activities	<u>\$ 200,130</u>

See accompanying notes to the financial statements.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Henry County Emergency Communications District is a nonprofit organization, established under Tennessee law. The District was organized in 1989 to provide Emergency 911 service to the residents of Henry County. Although the District is considered a municipality under its enabling legislation, it cannot levy or collect taxes and the charges for services shall not be considered or classified as taxes. A volunteer board of directors who are appointed by the District's primary government manages the District. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The District is a discretely presented component unit of Henry County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Henry County, Tennessee financial report. The District is considered a discretely presented component unit of Henry County as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14, because the District would be unable to issue debt without going through Henry County, Tennessee.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus. Operating income includes emergency telephone surcharges, state shared wireless charges, and state operational funding. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Use of Estimates

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.

Accounts Receivable

Accounts receivable represent amounts due from various phone companies for emergency telephone surcharges and monthly reimbursable wireless fees.

Budgetary Policies

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a cash basis, which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Cash and Cash Equivalents

For purposes of the statement of net assets and the statement of cash flows, Henry County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government pool.

Capital Assets

The District defines capital assets as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Net Position

Equity is classified as net position. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “investment in capital assets”.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital asset activity during the year was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-depreciable assets				
Land	\$ 108,710	\$ -	\$ -	\$ 108,710
Construction in progress	682,671	-	(682,671)	1,365,342
Total assets not being depreciated	791,381	-	(682,671)	1,474,052
Depreciable assets				
Buildings and improvements	\$ 52,812	\$ 685,660	\$ -	\$ 738,472
Furniture and fixtures	51,534	60,057	-	111,591
Office Equipment	8,649	202	-	8,851
Communications Equipment	374,499	210,760	-	585,259
Vehicles	-	-	-	-
Total capital assets being depreciated	487,494	956,679	-	1,444,173
Less accumulated depreciation for:				
Buildings and improvements	1,805	17,528	-	19,333
Furniture and fixtures	26,647	11,004	-	37,651
Office Equipment	6,173	1,312	-	7,485
Communications Equipment	64,568	52,802	-	117,370
Vehicles	-	-	-	-
Total Accumulated Depreciation	99,193	82,646	-	181,839
Total Depreciable Assets, net	\$ 388,301	\$ 874,033	\$ -	\$ 1,262,334

Income Taxes

Henry County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS

The Utility has implemented GASB Statement No. 40, *Deposit and Investment Risk* Disclosures for financial reporting of deposit risk.

Custodial Credit Risk – The Utility's policies limit investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Utility's agent in the Utility's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2014 and 2013, all bank deposits were fully collateralized or insured.

NOTE 3 – MAJOR REVENUE SOURCE

Revenue for operation and maintenance of the Henry County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The major surcharge is collected by AT&T and remitted to the District monthly less a 1% administrative fee. The District also collects revenue generated by wireless phone users. The Tennessee Emergency Communications Board collects the revenue and distributes 25% of the funds to the Emergency Communications Districts based on the proportion of the population of each district to that of the state, according to the latest census.

NOTE 4 – 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 for which the District is covered through commercial insurance. Workers' compensation is covered through the Tennessee Municipal League Risk Management Pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 3, 2014, the date which the financial statements were available to be issued.

-End of Notes-

OTHER SUPPLEMENTARY INFORMATION

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

Salaries and Wages	<u>\$ 60,624</u>
Employee Benefits	
Social security	4,280
Life insurance	49
Medical insurance	4,714
Retirement contributions	6,869
Medical Deductible	538
	<u>16,450</u>
Contracted Services	
Audit services	3,000
Legal services	2,273
Fees paid to service providers	
Line services	35,087
Fiber optic services	2,020
Maintenance agreements	36,966
Lease/rental - building and facilities	3,543
Pest Control	360
Maintenance and repairs	
Communications equipment	133
Building and facilities	5,941
Office equipment	1,604
Vehicles	935
	<u>95,362</u>
Supplies and Materials	
Office supplies	3,145
Custodial supplies	2,788
Small equipment purchases	1,960
Software purchases	667
Postage	191
Electric	3,625
Gas	1,759
Telephone	4,707
Cell phones and pagers	1,200
	<u>20,042</u>
Other Charges	
Board meeting	675
Cable expense	1,562
Dues and memberships	462
Workers' compensation insurance	548
Liability insurance	1,546
Building and contents insurance	9,498
Equipment insurance	1,011
Vehicle fuel	2,254
Vehicle insurance	2,776
Premiums on surety bonds	883
Public education	7,014
Training expense	6,137
Travel expense	7,276
Verizon mobile connection	5,858
Internet expense	1,755
Contingency	26,910
	<u>76,165</u>
Depreciation	<u>82,646</u>
Total Operating Expenses	<u><u>\$ 351,289</u></u>

See independent auditors' report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues				
Emergency telephone service charges	\$ 110,941	\$ 110,941	\$ 106,348	\$ (4,593)
State Emergency Communications Board - Shared wireless charge	81,203	81,203	82,349	1,146
Operational funding	229,222	229,222	238,727	9,505
State Wireless Additional Funds	-	-	29,372	29,372
Miscellaneous income	300	300	250	(50)
Total Revenues	<u>421,666</u>	<u>\$ 421,666</u>	<u>457,046</u>	<u>\$ 35,380</u>
Operating Expenses				
Salaries and Wages	<u>76,521</u>	<u>76,521</u>	<u>68,275</u>	<u>8,246</u>
Employee Benefits				
Social security	4,935	4,935	4,848	87
Life insurance	54	54	54	-
Medical insurance	5,845	5,845	5,118	727
Retirement contributions	7,984	7,984	7,773	211
Medical deductible	2,500	2,500	538	1,962
	<u>21,318</u>	<u>21,318</u>	<u>18,331</u>	<u>2,987</u>
Contracted Services				
Advertising	600	600	-	600
Audit services	3,000	3,000	3,000	-
Legal services	3,500	3,500	2,273	1,227
Customer coverage	2,500	3,500	3,500	-
Fiber optics service	2,020	2,020	2,020	-
Line services	36,836	36,836	34,405	2,431
Maintenance agreements	30,000	30,000	29,145	855
Lease/rental - building and facilities	5,000	5,000	4,375	625
Pest Control	690	690	360	330
Repairs-communications equipment.	1,400	1,400	133	1,267
Repairs - buildings and facilities	6,000	6,000	5,941	59
Repairs-office equipment	2,300	2,300	1,604	696
Repairs-vehicles	1,900	1,900	935	965
	<u>95,746</u>	<u>96,746</u>	<u>87,691</u>	<u>9,055</u>
Supplies and Materials				
Office supplies	3,200	3,200	3,145	55
Custodial supplies	3,500	3,500	2,788	712
Small equipment purchases	2,000	2,000	1,960	40
Software purchases	5,513	5,513	667	4,846
Postage	600	600	191	409
Electric	9,500	9,500	3,625	5,875
Gas	2,300	2,300	1,759	541
Telephone	4,900	4,900	4,707	193
Cell phones and pagers	1,200	1,200	1,200	-
	<u>32,713</u>	<u>32,713</u>	<u>20,042</u>	<u>12,671</u>

See independent auditors' report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts - Cash Basis</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Charges				
Bank charges	100	100	-	100
Board meeting	800	800	675	125
Cable expense	1,800	1,800	1,562	238
Dues and memberships	600	600	462	138
Workers compensation insurance	700	700	548	152
Liability insurance	1,546	1,546	1,546	-
Building and contents insurance	9,498	9,498	9,498	-
Equipment insurance	1,279	1,279	1,011	268
Vehicle fuel	2,400	2,400	2,254	146
Vehicle insurance	1,500	1,500	1,388	112
Premiums on surety bonds	1,100	1,100	883	217
Public education	7,300	7,300	7,014	286
Training expense	6,500	6,500	6,137	363
Travel expense	8,400	8,400	7,419	981
Verizon Mobile Connection	6,000	6,000	5,858	142
Internet Expense	1,980	1,980	1,755	225
Contingency	27,000	27,000	26,910	90
	<u>78,503</u>	<u>78,503</u>	<u>74,920</u>	<u>3,583</u>
Total Operating Expenses	<u>304,801</u>	<u>305,801</u>	<u>269,259</u>	<u>36,542</u>
Operating Income (Loss)	<u>116,865</u>	<u>115,865</u>	<u>187,787</u>	<u>71,922</u>
Nonoperating Revenues (Expenses)				
Interest income	240	240	5,044	4,804
State Emergency Communications Board - grants and reimbursements	30,000	30,000	30,000	-
Rental Income	3,700	3,700	3,700	-
Total Nonoperating Revenues (Expenses)	<u>33,940</u>	<u>33,940</u>	<u>38,744</u>	<u>4,804</u>
Revenues in Excess of Expenses	<u>150,805</u>	<u>149,805</u>	<u>226,531</u>	<u>76,726</u>
Line Item Adjustments to Reconcile Cash Basis Actual Expenditures with Accrual Basis Financial Statements				
Depreciation expense			(82,646)	
Decrease in current receivables			(19,391)	
Increase in accounts payable			616	
Net Reconciliation Cash to Accrual			<u>(101,421)</u>	
Increase (Decrease) in Net Assets (Accrual)			<u>125,110</u>	
Net Assets, beginning of period			<u>2,014,617</u>	
Net Assets, end of period			<u>2,139,727</u>	

See independent auditors' report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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**

To the Board of Directors
Henry County Emergency Communications District
Paris, Tennessee

We have audited the financial statements of the Henry County Emergency Communications District, a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2014, and have issued our report thereon dated November 3, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The District's Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Henry County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures 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 Henry County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henry County Emergency Communications District's internal control over financial reporting.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did not identify any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry 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*.

This report is intended solely for the information and use of the management and the board of the Emergency Communications District of Henry County Tennessee and the State of Tennessee, Comptroller Office, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Cowart Reese Sargent". The signature is written in black ink and has a long, sweeping horizontal line extending to the right.

Cowart Reese Sargent, CPAs
Martin, TN

November 3, 2014