

**HOUSTON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
JUNE 30, 2014**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Houston County E-911 Emergency Communications District
Tennessee Ridge, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of Houston County E-911 Emergency Communications District, a component unit of Houston County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Houston County E-911 Emergency Communications 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Houston County E-911 Emergency Communications District, a component unit of Houston County, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion 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 historic context.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The auditor's opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Houston County E-911 Emergency Communications District's basic financial statements. The Budget and Actual schedule and the schedule of 911 Board Members on pages 12-14 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budget and Actual schedule and the schedule of 911 Board Members are the responsibility of management and were derived from and relate 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 my opinion, the Budget and Actual schedule and the schedule of 911 Board Members are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2014 on my consideration of Houston County E-911 Emergency Communications District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Houston County E-911 Emergency Communications District's internal control over financial reporting and compliance.

November 20, 2014
Cookeville, Tennessee

Tamara L. Beckman, CPA

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 143,294.42	
Certificates of Deposit	344,749.68	
Accounts Receivable	6,045.42	
Interest Receivable	1,719.25	
Due from State ECB	3,652.47	
Prepaid Expenses	<u>9,251.01</u>	
<u>Total Current Assets</u>		\$ 508,712.25

Capital Assets

Building & Improvements	28,371.15	
Less: A/D-Building & Improvements	(8,579.97)	
Communications Equipment	817,033.39	
Less: A/D-Communications Equipment	(477,632.84)	
Furniture & Fixtures	6,598.28	
Less: A/D-Furniture & Fixtures	(5,002.56)	
Office Equipment	669.95	
Less: A/D-Office Equipment	(669.95)	
Other Equipment	12,425.00	
Less: A/D-Other Equipment	(12,425.00)	
Vehicles	19,923.39	
Less: A/D-Vehicle	<u>(10,957.87)</u>	
<u>Total Capital Assets</u>		<u>369,752.97</u>

Total Assets **\$ 878,465.22**

LIABILITIES & NET POSITION

Current Liabilities

Accounts Payable	6,077.07	
Advance from Primary Government-Current	<u>20,506.93</u>	
<u>Total Current Liabilities</u>		26,584.00

Long-Term Liabilities

Advance from Primary Government	<u>64,750.46</u>	
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Total Liabilities **91,334.46**

Net Position

Net Investment in Capital Assets	284,495.58	
Unrestricted Net Position	<u>502,635.18</u>	
<u>Total Net Position</u>		<u>\$ 787,130.76</u>

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Operating Revenues

Emergency Telephone Service Charges	\$ 72,928.29	
State – Shared Wireless Charges	21,582.41	
State – Operational Funding Program	<u>142,182.00</u>	
Total Operating Revenue		\$ 236,692.70

Operating Expense

Contracted Services

Advertising	1,105.74	
Auditing Services	2,750.00	
Contract with County	143,086.00	
Contract with AT&T	12,000.00	
Engineering Services	1,925.00	
Maintenance Agreements	49,197.20	
Mapping & Database Consultants	400.00	
Pest Control	280.00	
L/R-Communications Equipment	900.00	
M&R-Communications Equipment	14,858.80	
M&R-Buildings & Facilities	128.49	
M&R-Vehicles	167.33	
Fuel - Vehicle	<u>5,385.54</u>	
Total Contracted Services		\$ 232,184.10

Supplies & Materials

Postage	61.35	
Small Equipment	168.31	
Uniforms	960.15	
Utilities-Electric	2,928.75	
Utilities-General Telephone	<u>6,000.91</u>	
Total Supplies & Materials		10,119.47

The Accompanying notes are in integral part of the financial statements

*HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION, CONT'D
FOR THE YEAR ENDED JUNE 30, 2014*

<u>Other Charges</u>		
Bank Charges	35.00	
Dues & Memberships	100.00	
Premiums on Surety Bonds	300.00	
Training Expenses	3,973.00	
Travel Expenses	1,280.39	
Address Marker Supplies	<u>818.21</u>	
Total Other Charges		6,506.60
Depreciation		<u>70,957.70</u>
Total Operating Expense		<u>319,767.87</u>
Net Operating Income (Loss)		(83,075.17)
<u>Non-Operating Revenue & Expense</u>		
Interest Income	620.85	
Investment Income	3,325.38	
State-Grants & Reimbursements	34,836.87	
Other Income	10,087.06	
Interest Expense	<u>(4,413.30)</u>	
Total Non-Operating Revenue & Expense		<u>44,456.86</u>
Decrease in Net Position		(38,618.31)
Total Net Position, July 1, 2013		<u>825,749.07</u>
Total Net Position, June 30, 2014		<u>\$ 787,130.76</u>

The Accompanying notes are in integral part of the financial statements

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2014**

Cash Flows From Operating Activities

Cash Received from Operations	\$ 246,832.63	
Cash Payments for Goods and Services	<u>(243,385.55)</u>	
Net Cash Provided by Operating Activities		\$ 3,447.08

Cash Flows from Non-Capital Financing Activities

State-Grants & Reimbursements	<u>34,836.87</u>	
Net Cash Provided by Non-Capital Financing Activities		\$ 34,836.87

Cash Flows from Capital & Related Financing Activities

New Equipment Purchases	(199,468.75)	
Interest Paid	(4,413.30)	
Principal Payments on Loan	<u>(19,586.70)</u>	
Net Cash Used by Capital & Related Financing Activities		(223,468.75)

Cash Flows from Investing Activities

Interest Received on CDs & Money Market	3,946.23	
Transfer to CD's	<u>(3,325.38)</u>	
Net Cash Provided by Investing Activities		<u>620.85</u>

Net Decrease in Cash and Cash Equivalents	(184,563.95)
Cash and Cash Equivalent at June 30, 2013	<u>327,858.37</u>
Cash and Cash Equivalent at June 30, 2014	<u>\$ 143,294.42</u>

Reconciliation of Net Operating Income(Loss) to Net Cash

<u>Provided (Used) by Operating Activities</u>		
Net Operating Income (Loss)	\$ (83,075.17)	
Depreciation	70,957.70	
Other Income	10,087.06	
Decrease in Accounts Receivable	173.12	
Increase in Due from State ECB	(120.25)	
Increase in Accounts Payable	<u>5,424.62</u>	
<u>Net Cash Provided by Operating Activities</u>		<u>\$ 3,447.08</u>

The Accompanying notes are in integral part of the financial statements

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Houston County E-911 Emergency Communication District (District) was created under *Tennessee Code Annotated 7-86-104 et. Seq., Emergency Communications Districted Law* by a referendum of voters in Houston County, Tennessee (County) on August 6, 1992.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in the County. The County Commission has the authority to adjust rates charged by the District, and the County Commission must approve debts issued by the District.

The District is considered a component unit of the County because the Board of Directors is appointed by the County Mayor. The County Commission has the authority to adjust rates charged by the District, and the County Commission must approve most debts issued by the District.

Measurement Focus/Basis of Accounting

The accounting policy of the District conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board (GASB)*.

The financial statements are prepared on the basis of GASB Statement Number 34, Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments and related standards. This statement provides for various terminologies and includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis; supplementary information; and other changes.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for using an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on the balance sheet. Their reported net assets is segregated into amounts invested in capital assets, restricted net assets, and unrestricted net assets. Proprietary funds type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Property and Equipment

Property and equipment is recorded at historical cost for assets purchased over \$500. Maintenance repairs and minor renewals are expensed as incurred. Depreciation has been provided over the estimated useful lives of the capital assets by straight-line method. The estimated useful lives are as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>	<u>2014 Depreciation</u>
Building & Improvements	S/L	5-40 Years	\$ 1,081.61
Communications Equipment	S/L	5-10 Years	64,467.41
Furniture & Fixtures	S/L	5-10 Years	1,424.00
Office Equipment	S/L	5 Years	--
Other Equipment	S/L	10 Years	--
Vehicles	S/L	5 Years	<u>3,984.68</u>
			<u>\$70,957.70</u>

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. Non-operating revenue consists of interest income and State-Grants and Reimbursements.

Note 2 – Cash, Cash Equivalents and Cash Investments

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The following is a schedule of bank accounts at June 30, 2014:

Checking – Traditions First Bank	\$143,294.42
Certificates of Deposit – Traditions First Bank	242,971.69
Certificates of Deposit – Heritage Bank	<u>101,777.99</u>
Total	<u>\$488,044.10</u>

At June 30, 2014, the carrying amount of the Houston County E-911 Emergency Communications District's cash deposits was \$488,044.10. The District's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. The District's deposits at Traditions First Bank exceeded these limits by \$136,266.11. The amount over the FDIC limits are uninsured and exposed to custodial credit risks on the basis that the funds are uncollateralized. The District is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Note 3 – Bonding and Insurance

Houston County carries insurance for various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, which also covers the District. There have been no claims or losses from the above risks that exceeded coverage in the past three years, and there has been no significant reduction in the limits of coverage.

Note 4 – Capital Assets

The following is a schedule of equipment at June 30, 2014:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building & Improvements	\$ 28,371.15	\$ 8,579.97	\$ 19,791.18
Communications Equip.	817,033.39	477,632.84	339,400.55
Furniture & Fixtures	6,598.28	5,002.56	1,595.72
Office Equipment	669.95	669.95	--
Other Equipment	12,425.00	12,425.00	--
Vehicle	<u>19,923.39</u>	<u>10,957.87</u>	<u>8,965.52</u>
<u>Total Assets</u>	<u>\$885,021.16</u>	<u>\$515,268.19</u>	<u>\$369,752.97</u>

<u>Assets</u>	<u>Balance 6-30-13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-14</u>
Building & Improvements	\$ 28,371.15	\$ --	\$ --	\$ 28,371.15
Communications Equip.	617,564.64	199,468.75	--	817,033.39
Furniture & Fixtures	6,598.28	--	--	6,598.28
Office Equipment	669.95	--	--	669.95
Other Equipment	12,425.00	--	--	12,425.00
Vehicle	<u>19,923.39</u>	<u>--</u>	<u>--</u>	<u>19,923.39</u>
<u>Total Assets</u>	<u>\$685,552.41</u>	<u>\$199,468.75</u>	<u>\$ --</u>	<u>\$885,021.16</u>

Note 5 – Accounts Receivable/Due from State Emergency Communications Board

The amounts due to the District from the subscriber services and wireless charges include the following:

Peoples Telephone Co-op	\$ 5,785.46
Various Telephone Co-ops	<u>259.96</u>
Subtotal	6,045.42
State Emergency Comm. Board	<u>3,652.47</u>
Total	<u>\$ 9,697.89</u>

Note 6 – Compensated Absences

There were no employees at June 30, 2014.

Note 7 – Net Investment in Capital Assets

Total Non-current Assets	\$369,752.97
Current and Non-current Debt	<u>< 85,257.39 ></u>
Net Investment in Capital Assets	<u>\$284,495.58</u>

Note 8 – Budgetary Information

The District is required by Tennessee Code Annotated Title 7, Section 86, Chapter 120 to adopt a budget. The budget is prepared on the accrual basis of accounting. Compliance with the adopted budget is required at the line item level.

Note 9 – Occupancy In-Kind

Houston County provides all personnel, space, insurance and various utilities for the District's operations in exchange for annual payments totaling \$78,000. No provisions have been made in these financial statements to recognize any amounts incurred by the County on the District's behalf in excess of the annual payments.

Note 10 – Notes Payable

The District began the construction of a block building, tower, and acquired various emergency services equipment. The projects were completed and placed in-service during the year ended June 30, 2007. These projects were financed through an advance (approximately \$219,430) from the County. The advance is to be repaid to the County at a term of \$2,000 per month beginning in July 2006 for a period of twelve years with an annual interest rate of 4.6%. Interest expense during the construction phase in the amount of \$8,132 was capitalized as part of the overall costs of the communications equipment. The outstanding balance at June 30, 2014 was \$85,257.39. Future payments of the advance are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,506.93	\$ 3,493.07	\$ 24,000.00
2016	21,470.39	2,529.61	24,000.00
2017	22,479.12	1,520.88	24,000.00
2018	<u>20,800.95</u>	<u>467.56</u>	<u>21,268.51</u>
Total	<u>\$ 85,257.39</u>	<u>\$ 8,011.12</u>	<u>\$ 93,268.51</u>

A schedule of changes in Notes Payable is as follows:

	<u>Balance</u> <u>6-30-13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6-30-14</u>
County Advance	<u>\$104,844.09</u>	<u>\$ --</u>	<u><\$19,586.70></u>	<u>\$ 85,257.39</u>
Total	<u>\$104,844.09</u>	<u>\$ --</u>	<u><\$19,586.70></u>	<u>\$ 85,257.39</u>

Note 11 – Subsequent Events

The District has evaluated subsequent events through November 20, 2014, the date in which the financial statements were available to be issued.

**HOUSTON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT**

SUPPLEMENTARY INFORMATION

JUNE 30, 2014

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL
JUNE 30, 2014**

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance Under (Over)
<u>Operating Revenue</u>			
Emergency Telephone Service Charges	\$ 72,928.29	\$ 73,101.00	\$ (172.71)
State-Shared Wireless Charges	21,582.41	21,462.00	120.41
State-Operational Funding Program	142,182.00	142,182.00	-
<u>Total Operating Revenue</u>	<u>236,692.70</u>	<u>236,745.00</u>	<u>(52.30)</u>

Operating Expenses

Contracted Services

Advertising	1,105.74	1,106.00	0.26
Auditing Services	2,750.00	2,750.00	-
Contract with County	143,086.00	143,086.00	-
Contract with AT&T	12,000.00	12,000.00	-
Engineering Services	1,925.00	1,925.00	-
Maintenance Agreements	49,197.20	49,198.00	0.80
Mapping & Database Consultants	400.00	400.00	-
Pest Control	280.00	280.00	-
L/R-Communications Equipment	900.00	900.00	-
M&R-Communications Equipment	14,858.80	14,936.00	77.20
M&R-Buildings & Facilities	128.49	129.00	0.51
M&R-Vehicles	167.33	168.00	0.67
Fuel-Vehicles	5,385.54	5,430.00	44.46
<u>Total Contracted Services</u>	<u>232,184.10</u>	<u>232,308.00</u>	<u>123.90</u>

Supplies & Materials

Postage	61.35	62.00	0.65
Small Equipment	168.31	169.00	0.69
Uniforms	960.15	961.00	0.85
Utilities-Electric	2,928.75	2,930.00	1.25
Utilities-General Telephone	6,000.91	6,001.00	0.09
<u>Total Supplies & Materials</u>	<u>10,119.47</u>	<u>10,123.00</u>	<u>3.53</u>

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL-CONT'D
JUNE 30, 2014**

<u>Other Charges</u>			
Bank Charges	35.00	35.00	-
Dues & Memberships	100.00	100.00	-
Premiums on Surety Bonds	300.00	300.00	-
Training Expenses	3,973.00	3,973.00	-
Travel Expenses	1,280.39	1,281.00	0.61
Address Marker Supplies	818.21	819.00	0.79
<u>Total Other Charges</u>	<u>6,506.60</u>	<u>6,508.00</u>	<u>1.40</u>
	<u>70,957.70</u>	<u>70,864.00</u>	<u>(93.70)</u>
<u>Depreciation</u>			
<u>Total Operating Expenses</u>	<u>319,767.87</u>	<u>319,803.00</u>	<u>35.13</u>
<u>Operating Income (Loss)</u>	<u>(83,075.17)</u>	<u>(83,058.00)</u>	<u>(17.17)</u>
<u>Non-Operating Revenue</u>			
Interest Income	620.85	419.00	201.85
Investment Income	3,325.38	-	3,325.38
State-Grants & Reimbursements	34,836.87	42,503.00	(7,666.13)
Other Income	10,087.06	43.00	10,044.06
Interest Expense	(4,413.30)	(6,200.00)	1,786.70
<u>Total Non-Operating Revenue</u>	<u>44,456.86</u>	<u>36,765.00</u>	<u>7,691.86</u>
Increase (Decrease) in Net Position	<u>(38,618.31)</u>	<u>(46,293.00)</u>	<u>(7,674.69)</u>
Net Position-Beginning of Period	<u>825,749.07</u>	<u>825,749.07</u>	<u>-</u>
Net Position-End of Period	<u>\$ 787,130.76</u>	<u>\$ 779,456.07</u>	<u>\$ (7,674.69)</u>

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
911 BOARD MEMBERS
JUNE 30, 2014**

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**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 of the
Houston County E-911 Emergency Communications District
Tennessee Ridge, Tennessee 37178

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Houston County E-911 Emergency Communications District, a component unit of Houston County, as of and for the year ended June 30, 2014, and have issued my report thereon dated November 20, 2014.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Houston County E-911 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Houston County E-911 Emergency Communications District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 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. *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.

My 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. And therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies, described as items 14-1 and 14-2 in the accompanying schedule of findings and recommendations that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Houston County E-911 Emergency Communications District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany schedule of findings and recommendations as items 14-1 and 14-2.

Houston County E-911 Emergency Communications District's Response to Findings

Houston County E-911 Emergency Communications District's responses to the findings identified in my audit are described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

November 20, 2014
Cookeville, Tennessee

Tamara L. Beckman, CPA

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2014**

The following finding was brought to District's attention last year.

Finding 14-1

Deposits at Traditions First Bank exceed the FDIC and collateralization amounts by \$136,266.11 at June 30, 2014. It appears that Traditions First Bank is not a member of the Tennessee Government Collateralization Pool. This is a violation of the Tennessee Code Annotated Section 7-86-126.

Recommendation

As deposits increase at a financial institution, the District should increase the collateralization to cover deposits or move funds to a bank that is a member of the governmental collateralization pool in order to reduce the custodial risk of the District.

Management Comment

We had a known upcoming expense in excess of \$250,000.00, and we were preparing to make that payment along with our regular monthly expenses.

Finding 14-2

A couple of expense items exceeded budgeted amounts.

Recommendation

The Board of Directors should amend the budget as needed to cover all expense items of the district.

Management Comment

It was a temporary oversight. We have made adjustments to our accounting software and procedures that should prevent this from happening in the future.