

**HAYWOOD COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
FINANCIAL STATEMENTS**

**June 30, 2015**

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
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June 30, 2015**

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**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
DIRECTORY - ROSTER OF MANAGEMENT OFFICIALS AND BOARD - UNAUDITED  
June 30, 2015**

**Management Officials**

Starla Singleton  
911 Director

**Board Members**

Joe Stephens, Chairman

Ervin Turner, Vice Chairman

Larry Livingston, Secretary

Lewis Pearson, Member

Ricky Ellington, Member

Joyce Pirtle, Member

Richard Nelson., Member

Patricia Herron, Member

Dean Walton, Member

James Ernest, Member

Michael Banks  
Attorney At Law



**COWART REESE  
SARGENT**  
Certified Public Accountants, P.C.

Brownsville | Dyersburg | Jackson | Martin | Milan | Paris

Gordon J. "Joey" Geter, CPA

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Haywood County Emergency Communications District  
Brownsville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Haywood County Emergency Communications District (the District), a component unit of Haywood County, as of and for the year ended June 30, 2015, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Haywood County Emergency Communications District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Haywood County Emergency Communications District are intended to present the financial position and the changes in financial position of only that portion of the business type activities of Haywood County, Tennessee, that is attributable to the transactions of the Haywood County Emergency Communications District. They do not purport to, and do not, present fairly the financial position of Haywood County, Tennessee, as of June 30, 2015, the changes in its financial position, or, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**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 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 an opinion on the financial statements that collectively comprise the Haywood County Emergency Communication District's basic financial statements. The schedule of budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of budgetary comparison 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 schedule of budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The directory - roster of management officials and board - unaudited has not been subjected to the auditing procedures applied to 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 September 28, 2016 on our consideration of the Haywood County Emergency Communications 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 the 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 Haywood 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.

Cowart Reese Sargent, CPAs, PC  
Brownsville, Tennessee  
September 28, 2016

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

As management of Haywood County Emergency Communications District (the District), we offer readers of the Haywood County Emergency Communication District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total funds have been provided.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$1.75 million (net position). Of this amount \$1.29 million (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$125,740 during 2015, compared to increasing by \$97,484 during 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis (MD&A) serves as an introduction to financial statements, and should be read in conjunction with the financial statements and other supplementary information. Summary financial data, key financial and operational indicators are made up of three sections: 1) the introductory section, 2) the financial section, 3) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control over financial reporting and compliance.

**REQUIRED FINANCIAL STATEMENTS**

Due to the District being a single governmental fund entity, and receiving fund through the wireless charges, the enterprise fund statements are used to prepare financial statements. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when they are earned and expenses are recognized as a liability as incurred. The following statements are included in the financial statements of the District.

The Statement of Net Position includes all of the District's assets and obligations to the District's creditor (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, assessing the liquidity and financial flexibility of the District.

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:

- 1) measures the success of the District's operation;
- 2) determines whether the District has been successful to recover all of its costs;
- 3) measures the District's profitability and credit worthiness.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

The Statement of Cash Flows is the final required statement. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement 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.

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 Schedule of Budgetary Comparison presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the difference between the final budget and the actual expenses for the year.

**ENTERPRISE FUND FINANCIAL ANALYSIS**

**Statement of Net Position** - As noted earlier, net position may serve as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,750,418 at the close of the most recent fiscal year. A portion of the District's net position (26.2%) reflects its investment in capital assets (e.g., computers, office furniture, and communications equipment and tower).

**Condensed Statement of Net Position**

|                                         | <u>June 30, 2015</u>       | <u>June 30, 2014</u>       | <u>Increase (Decrease)</u> |                   |
|-----------------------------------------|----------------------------|----------------------------|----------------------------|-------------------|
|                                         |                            |                            | <u>\$ Variance</u>         | <u>% Variance</u> |
| Current and Other Assets                | \$ 1,291,470               | \$ 1,061,663               | \$ 229,807                 | 21.65%            |
| Capital Assets (net of Accumulated Dep) | <u>458,948</u>             | <u>563,015</u>             | <u>(104,067)</u>           | -18.48%           |
| Total Assets                            | <u><u>1,750,418</u></u>    | <u><u>1,624,678</u></u>    | <u><u>125,740</u></u>      | 7.74%             |
| Investment in Capital Assets            | 458,948                    | 563,015                    | (104,067)                  | -18.48%           |
| Unrestricted                            | <u>1,291,470</u>           | <u>1,061,663</u>           | <u>229,807</u>             | 21.65%            |
| Total Net Position                      | <u><u>\$ 1,750,418</u></u> | <u><u>\$ 1,624,678</u></u> | <u><u>\$ 125,740</u></u>   | 7.74%             |

During the 2015 fiscal year, the District's net position increased by \$125,740. The increase is the result of increase in revenues over budgeted amounts and expenses under budgeted amounts.

**Statement of Revenues, Expenses, and Changes in Net Position** - Revenues exceeded expenses by \$125,740 for fiscal year ended June 30, 2015.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

|                        | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Increase (Decrease)</u> |                   |
|------------------------|----------------------|----------------------|----------------------------|-------------------|
|                        |                      |                      | <u>\$ Variance</u>         | <u>% Variance</u> |
| Operating Revenue      | \$ 327,857           | \$ 311,765           | \$ 16,092                  | 5.16%             |
| Non-Operating Revenue  | 4,717                | 1,355                | 3,362                      | 248.12%           |
| Total Revenues         | <u>332,574</u>       | <u>313,120</u>       | <u>19,454</u>              | <u>6.21%</u>      |
| Operating Expenses     | <u>206,834</u>       | <u>215,636</u>       | <u>(8,802)</u>             | <u>-4.08%</u>     |
| Total Expenses         | <u>206,834</u>       | <u>215,636</u>       | <u>(8,802)</u>             | <u>-4.08%</u>     |
| Change in Net Position | 125,740              | 97,484               | 28,256                     | 28.99%            |
| Beginning Net Position | <u>1,624,678</u>     | <u>1,527,194</u>     | <u>97,484</u>              | <u>6.38%</u>      |
| Ending Net Position    | <u>\$ 1,750,418</u>  | <u>\$ 1,624,678</u>  | <u>\$ 125,740</u>          | <u>7.74%</u>      |

**COMMENTS ON FUND FINANCIAL STATEMENTS**

The District uses proprietary fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Enterprise Funds** - The focus of the District's enterprise fund is to provide information on cash inflows from shared wireless charges, outflows for related expenses, and balances of spendable resources. Such information is necessary to assess the District's financial requirements.

In particular, unrestricted net position may serve as useful measure of a government's net resources available for spending at the end of fiscal year to meet obligations of creditors and operational requirements of the District.

Revenues in the enterprise fund increased by \$19,454 in 2015 in comparison with 2014. The operating revenues increased by \$16,092 and non-operating revenues, which is interest income, increased by \$3,362.

Expenses in the enterprise fund decreased by \$8,802 in 2015 in comparison with prior year.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**BUDGETARY HIGHLIGHTS**

***Final Budgeted and Actual Amounts***

Actual operating revenues exceeded the budgeted amounts by \$87,857. Expenditures were under budget by \$113,519. Significant variances are as follows:

- TECB - Contributions exceeded budget by \$143,616 while Emergency Telephone Service Charge and Shared revenues were under budget by \$55,759.
- Addressing/mapping was under budget by \$20,000. Maintenance agreements were under budget by \$13,510. Capital expenditures were also under budget by \$60,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets*** - At the end of fiscal year, the District had invested \$458,948 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was \$478,052. Depreciation expense during the current period was \$83,003. The District had no additions or dispositions of capital assets during the current period.

***Long-Term Debt*** - At the end of current fiscal year, the District had no long-term debt.

**ECONOMIC FACTOR AND NEXT YEAR'S BUDGET**

The District expects the next year to be comparable to the current year. Economic factors in the Brownsville-Haywood County area are not expected to change significantly.

**REQUEST FOR INFORMATION**

This financial report is prepared to provide a general overview of the District's finances for citizens, taxpayers, customer, investors, creditors and all other with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional finance information should be addressed to:

Haywood County Emergency Communications District  
County Mayor - Executive  
1 North Washington  
Brownsville, TN 38012

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

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**ASSETS**

Current Assets:

|                               |              |
|-------------------------------|--------------|
| Cash and Cash Equivalents     | \$ 1,262,725 |
| Account receivable            | 19,171       |
| Prepaid Expenses - Warranties | 9,574        |
| Total Current Assets          | 1,291,470    |

Capital Assets:

|                                    |           |
|------------------------------------|-----------|
| Computers                          | 27,852    |
| Office Furniture                   | 13,254    |
| Communications Equipment and Tower | 895,894   |
| Less: Accumulated Depreciation     | (478,052) |
| Total Capital Assets               | 458,948   |
| Total Assets                       | 1,750,418 |

**NET POSITION**

|                              |              |
|------------------------------|--------------|
| Investment in Capital Assets | 458,948      |
| Unrestricted                 | 1,291,470    |
| Total Net Position           | \$ 1,750,418 |

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

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2015**

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**Operating Revenues:**

|                                     |           |
|-------------------------------------|-----------|
| Charges for sales and services:     |           |
| Emergency Telephone Service Charges | \$ 25,192 |
| Shared Wireless Charges             | 9,049     |
| TECB Contribution - Operating Fund  | 293,616   |
| Total Operating Revenues            | 327,857   |

**Operating Expenses:**

|                                     |         |
|-------------------------------------|---------|
| Administrative Personnel            | 13,800  |
| Equipment Rental                    | 8,703   |
| Government Contracts                | 81,400  |
| Audit Fees                          | 2,500   |
| Maintenance Agreements - Warranties | 11,490  |
| Office Supplies                     | 36      |
| Office Equipment                    | 1,515   |
| Postage                             | 300     |
| Dues/Memberships                    | 385     |
| Uniforms                            | 384     |
| Travel                              | 1,434   |
| Continued Education & Trainings     | 1,884   |
| Depreciation                        | 83,003  |
| Total Operating Expenses            | 206,834 |

|                  |         |
|------------------|---------|
| Operating Income | 121,023 |
|------------------|---------|

**Nonoperating Revenues (Expenses):**

|                                        |         |
|----------------------------------------|---------|
| Interest Income                        | 4,717   |
| Total Nonoperating Revenues (Expenses) | 4,717   |
| Change in Net Position                 | 125,740 |

|                                |           |
|--------------------------------|-----------|
| Total Net Position - Beginning | 1,624,678 |
|--------------------------------|-----------|

|                             |              |
|-----------------------------|--------------|
| Total Net Position - Ending | \$ 1,750,418 |
|-----------------------------|--------------|

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

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2015

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**CASH FLOWS FROM OPERATING ACTIVITIES**

|                                                  |            |
|--------------------------------------------------|------------|
| Cash receipts from Surcharges and Other Revenues | \$ 327,857 |
| Cash payments to suppliers                       | (131,512)  |
| Net cash provided by operating activities        | 196,345    |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|                                                           |   |
|-----------------------------------------------------------|---|
| Purchase of Capital Assets                                | - |
| Net cash used by capital and related financing activities | - |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                           |       |
|-------------------------------------------|-------|
| Interest received                         | 4,717 |
| Net cash provided by investing activities | 4,717 |

Net Increase in Cash and Cash Equivalents 201,062

Cash and Cash Equivalents - July 1 1,061,663

Cash and Cash Equivalents - June 30 \$ 1,262,725

**RECONCILIATION OF OPERATING INCOME TO NET**

**CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

**Operating Income** \$ 121,023

**Adjustments to reconcile operating income to net cash provided (used) by operating activities:**

|                                           |          |
|-------------------------------------------|----------|
| Depreciation Expense                      | 83,003   |
| Increase in Accounts receivable           | (19,171) |
| Decrease in Prepaid Expenses - Warranties | 11,490   |
| Total Adjustments                         | 75,322   |

Net cash provided by operating activities \$ 196,345

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

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. INTRODUCTION**

The Haywood County Emergency Communications District (the District), a component unit of Haywood County, is a quasi-municipality which was formed in order to establish and provide emergency communications services to the occupants of Haywood County. Revenues are received from a tariff charged and collected by area telephone companies. The District's Board is appointed by the County. The County is provided with the Board's budget for information purposes prior to the beginning of the respective fiscal year. The board of directors for communication district is responsible for all major budget decisions.

The accounting and reporting framework and the more significant accounting principles and practices of the Haywood County Emergency Communications District are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year June 30, 2015.

**B. FUND FINANCIAL STATEMENTS**

Fund Financial Statements are provided for the proprietary fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating activities of the District are charges to customers for services. Operating expense include -services, administrative expenses and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

**D. FUND TYPES AND MAJOR FUNDS**

***Proprietary Funds***

Enterprise Fund - reports as the fund of the District. This fund is used to account for all financial resources. There are no other funds used in the District.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**E. CASH AND INVESTMENTS**

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. A summary of cash balances is as follows:

|                        |    |                     |
|------------------------|----|---------------------|
| Cash                   | \$ | 521,725             |
| Certificate of deposit |    | <u>741,000</u>      |
|                        |    | <u>\$ 1,262,725</u> |

State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

**F. CAPITAL ASSETS AND DEPRECIATION**

The District's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**F. CAPITAL ASSETS AND DEPRECIATION (cont.)**

Estimated useful lives, in years, and capitalization threshold amounts for depreciable assets are as follows:

| <u>Capital Asset<br/>Category</u> | <u>Estimated<br/>Useful Life/Years</u> | <u>Threshold<br/>Amount</u> |
|-----------------------------------|----------------------------------------|-----------------------------|
| Office Equipment - Computers      | 5                                      | \$1,000                     |
| Office Equipment                  | 5                                      | \$1,000                     |
| Communication Equipment           | 10                                     | \$5,000                     |
| Tower                             | 15                                     | \$5,000                     |

**G. NET POSITION**

**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 Positions**

Equity is classified as net positions and displayed in the following three components:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted - Consists of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- Unrestricted - All other net positions that do not meet the description of the above categories.

**H. BUDGETARY INFORMATION**

**Budget Policy and Practice**

The District's Board of Directors approves an appropriation budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets and 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.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**H. BUDGETARY INFORMATION (cont.)**

**Basis of Budgeting**

The fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenses are budgeted by class as follows: salaries, compensation-related, services and supplies, computer and equipment, supplies, travel, equipment rental, core material, and miscellaneous. Expenses may not exceed appropriations. The budget for the operating funds is prepared on the cash and expenditures basis. Revenues are budgeted in the year funds are expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

*Budgetary Information*

The County Commission is provided with the District's budget for information purposes prior to the beginning of the respective fiscal year. Once approved the Board may amend the legally adopted budget when unexpected modifications are required. However, final authority on all major decisions rests with the County Commission.

**I. RECLASSIFICATION**

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

**J. SUBSEQUENT EVENTS**

Subsequent events are events and transactions that occur subsequent to the financial statement date but before the financial and auditor's report are issued. Subsequent events have been evaluated through September 28, 2016.

During April 2016, the District closed out its certificate of deposit for \$741,000 to be used for upgrades and improvements to radios and the dispatch center.

**NOTE 2 - ACCOUNT RECEIVABLE**

The District recorded a receivable in the current year of \$19,171. This is considered current and fully collectible. Therefore, no allowance is necessary.

**NOTE 3 - PREPAID WARRANTIES**

The District purchased extensive communication equipment. The purchase agreement contains a five (5) year service warranty agreement. The current year expense recognized on the prepaid agreements is \$11,490.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 4 - CAPITAL ASSETS**

Changes in Capital Assets - The following table provides a summary of changes in capital assets:

|                                  | <b>Capital Assets Depreciated</b> |                      |                                         |            |
|----------------------------------|-----------------------------------|----------------------|-----------------------------------------|------------|
|                                  | Office<br>Equipment-<br>Computers | Office<br>Furnitures | Communication<br>Equipment and<br>Tower | Total      |
| <i>Primary Government</i>        |                                   |                      |                                         |            |
| <i>Business-Type Activities</i>  |                                   |                      |                                         |            |
| Balance June 30, 2014            | \$ 27,852                         | \$ 13,254            | \$ 895,894                              | \$ 937,000 |
| Increases                        | -                                 | -                    | -                                       | -          |
| Decreases                        | -                                 | -                    | -                                       | -          |
| Balance June 30, 2015            | 27,852                            | 13,254               | 895,894                                 | 937,000    |
| <i>Accumulated Depreciation</i>  |                                   |                      |                                         |            |
| Balance June 30, 2014            | (17,640)                          | (8,493)              | (368,916)                               | (395,049)  |
| Increases                        | -                                 | -                    | -                                       | -          |
| Decreases                        | (5,570)                           | (2,597)              | (74,836)                                | (83,003)   |
| Balance June 30, 2015            | (23,210)                          | (11,090)             | (443,752)                               | (478,052)  |
| <i>Business -Type Activities</i> |                                   |                      |                                         |            |
| Capital Assets, Net              | \$ 4,642                          | \$ 2,164             | \$ 452,142                              | \$ 458,948 |

Depreciation expense for the year ended June 30, 2015, was \$83,003.

**NOTE 5 - RISK MANAGEMENT - CLAIMS AND ADJUSTMENTS**

The District is vulnerable to two types of losses. The first is the physical loss of capital assets from theft, fire, etc. Other losses are from civil actions based on negligence in relation to the disposition of emergency calls. Neither of these losses has occurred since the District's inception. However, the District has third party insurance coverage that is adequate in order to cover any occurrence.

**NOTE 6 - LITIGATIONS AND CONTINGENCIES**

The District does not have litigations or contingencies at end of fiscal year June 30, 2015.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF BUDGETARY COMPARISON**  
**For the Year Ended June 30, 2015**

|                                            | <u>Budgeted Amounts</u> |                 | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--------------------------------------------|-------------------------|-----------------|---------------------------|---------------------------------------------------------------------|
|                                            | <u>Original</u>         | <u>Final</u>    |                           | <u>(Negative)</u>                                                   |
| <b>Operating Revenues:</b>                 |                         |                 |                           |                                                                     |
| Emergency Telephone Service Charge         | \$ 50,000               | \$ 50,000       | \$ 25,192                 | \$ (24,808)                                                         |
| Emergency Telephone Service - Shared       | 40,000                  | 40,000          | 9,049                     | (30,951)                                                            |
| TECB - Contribution                        | 150,000                 | 150,000         | 293,616                   | 143,616                                                             |
| Total Revenues                             | <u>240,000</u>          | <u>240,000</u>  | <u>327,857</u>            | <u>87,857</u>                                                       |
| <b>Operating Expenses:</b>                 |                         |                 |                           |                                                                     |
| Administrative Personnel                   | 15,800                  | 15,800          | 13,800                    | 2,000                                                               |
| Addressing/Mapping                         | 20,000                  | 20,000          | -                         | 20,000                                                              |
| Government Contracts                       | 80,000                  | 80,000          | 81,400                    | (1,400)                                                             |
| Audit / Legal Services                     | 4,000                   | 4,000           | 2,500                     | 1,500                                                               |
| Maintenance Agreements - Warranties        | 25,000                  | 25,000          | 11,490                    | 13,510                                                              |
| Equipment Rental - Communications          | 10,000                  | 10,000          | 8,703                     | 1,297                                                               |
| Office Supplies                            | 1,000                   | 1,000           | 36                        | 964                                                                 |
| Office Equipment                           | 1,500                   | 1,500           | 1,515                     | (15)                                                                |
| Postage                                    | 300                     | 300             | 300                       | -                                                                   |
| Dues/Memberships                           | 250                     | 250             | 385                       | (135)                                                               |
| Uniforms                                   | 1,000                   | 1,000           | 384                       | 616                                                                 |
| Surety Bonds                               | 1,000                   | 1,000           | -                         | 1,000                                                               |
| Travel Expenses                            | 6,000                   | 6,000           | 1,434                     | 4,566                                                               |
| Training                                   | 11,500                  | 11,500          | 1,884                     | 9,616                                                               |
| Capital Expenditures                       | 60,000                  | 60,000          | -                         | 60,000                                                              |
| Total Expenses                             | <u>237,350</u>          | <u>237,350</u>  | <u>123,831</u>            | <u>113,519</u>                                                      |
| Operating Income                           | 2,650                   | 2,650           | 204,026                   | 201,376                                                             |
| <b>Nonoperating Revenue (Expenses):</b>    |                         |                 |                           |                                                                     |
| Interest Income                            | 300                     | 300             | 4,717                     | 4,417                                                               |
| Total Nonoperating Revenues (Expenses)     | <u>300</u>              | <u>300</u>      | <u>4,717</u>              | <u>4,417</u>                                                        |
| Increase (Decrease) in Net Position        | <u>\$ 2,950</u>         | <u>\$ 2,950</u> | 208,743                   | <u>\$ 205,793</u>                                                   |
| <b>Reconciliation of Budget to GAAP</b>    |                         |                 |                           |                                                                     |
| Reconciling items                          |                         |                 |                           |                                                                     |
| Depreciation                               |                         |                 | <u>(83,003)</u>           |                                                                     |
| Net Reconciling items                      |                         |                 | <u>(83,003)</u>           |                                                                     |
| Increase (Decrease) in Net Position (GAAP) |                         |                 | 125,740                   |                                                                     |
| Budgetary Net Position - Beginning         |                         |                 | 1,624,678                 |                                                                     |
| Budgetary Net Position - Ending            |                         |                 | <u>\$ 1,750,418</u>       |                                                                     |

See independent auditors' report.



**COWART REESE  
SARGENT**  
Certified Public Accountants, P.C.

Brownsville | Dyersburg | Jackson | Martin | Milan | Paris

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

The Board of Directors  
Haywood County Emergency Communications District  
Brownsville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Haywood County Emergency Communications District (the District), a component unit of Haywood County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2016.

**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 opinion 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.

*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 reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2015-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Haywood County Emergency Communication 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2015-002.

## 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 provide an opinion on the effectiveness of the entity's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cowart Reese Sargent". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs, PC  
Brownsville, Tennessee  
September 28, 2016

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2015**

**Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the accompanying financial statements of the Haywood County Emergency Communications District.
2. One material weakness or significant deficiency was identified that is considered to be material weaknesses.
3. There was one instance of noncompliance disclosed during the audit.

**Finding - Financial Statement Audit**

**2015-001 Lack of evidence of Board oversight (Material Weakness Under Government Auditing Standards)**

Condition: We noted that the Board does not meet, or does not properly document, routine meetings.

Criteria: The Board is required to provide oversight to the District under generally accepted accounting principles.

Cause: Lack of documentation or failure of the board to meet regularly has caused this weakness.

Effect: The potential for inappropriate transactions and activities of the District increases when there is a lack of oversight from the Board.

Recommendation: We recommend that the Board meet routinely in order to provide proper management oversight to the District. We also recommend that the Board secretary properly record all meeting minutes.

Response: We concur.

**2015-002 Timeliness of the Closing of the Official Accounting Records (Noncompliance)**

Condition: The official accounting records were not provided to auditor timely.

Criteria: The Tennessee Code Annotated Section 9-2-102 states that "It is the duty of all local governments to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year." While this requirement was not in effect until July 1, 2015, it still provides a guide for timeliness.

Cause: A change in accountants for the District has caused this noncompliance.

Effect: The quality of the information provided to auditor could decrease with the passage of time, which in turn could affect the quality of the audit.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2015**

Recommendation: We recommend that the official accounting records be closed timely (within 2 months after year end) and made available to auditors when requested.

Response: We concur. With a new accountant in place, the official accounting records should be closed timely.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2015**

*Financial Statement Findings*

| <b>Finding Number</b> | <b>Finding Title</b> | <b>Status</b> |
|-----------------------|----------------------|---------------|
| None                  |                      |               |