

**Henry County Emergency
Communications District
Financial Statements
June 30, 2015**

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**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
June 30, 2015**

BOARD MEMBERS

John Etheridge – Chairman

Charles Elizondo – Vice Chairman

Bettye Carter – Treasurer / Secretary

Pam French – Member

Michael Williams – Member

Twila Rose – 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

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, 2015, and the related notes to the financial statements, which collectively comprise the District's 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. 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 respective financial position of Henry County Emergency Communications District as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 and 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 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.

The schedules of detailed operating expenses and budgetary comparison on pages 16-17 are 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 schedules of detailed operating expenses and budgetary comparison are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Roster of Board Members and Management Officials has not been subjected yo yhe auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2015 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.

Cowart Reese Sargent,
Certified Public Accountants, P.C.
Martin, TN

December 20, 2015

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, 2015. 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 page 8.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information on page 8, the District's current assets have increased \$316,374 during the year ended June 30, 2015 and net capital assets decreased \$79,384. The decrease in net capital assets was due to the depreciation of existing District assets during the year. All the new equipment was purchased from funds on hand and required no borrowing. Net position increased by \$234,601. The emergency telephone service charge revenues, of the District, increased by \$92,091. The state shared wireless revenues increased by an amount of \$43,875. The District also received \$205,177 in state operational funding. With a increase of \$193,356 in other income, the overall result is an increase in total revenues of \$110,955.

The total operating expenses for the District increased by 22.1%. The majority of the increase in operating expenses is due to an increase in depreciation expense.

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 \$6,303 more than the amount budgeted and the state shared wireless charges are \$68,440 less 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 \$18,454 over the budgeted amounts. The largest variance is the state operational funding, which is \$80,570 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. The salaries and wages are under the budgeted amounts by \$252, while the employee benefits are under the budgeted amounts by \$121. Contracted services indicate a favorable variance of \$9,695. The supplies and materials have a favorable variance of \$9,531, while the other charges have a favorable variance of \$1,528. The overall effect of the favorable revenue and expenditure variances is a \$41,921 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 \$1,614,854 with accumulated depreciation of \$317,062. Investments in capital assets are \$1,297,792 for the current year. Capital assets include communications equipment, land, building and improvements, office furniture, and equipment and vehicles.

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

	STATEMENT OF NET POSITION			
	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 1,092,020	\$ 775,646	\$ 316,374	40.8%
Capital assets	<u>1,297,792</u>	<u>1,377,176</u>	<u>(79,384)</u>	-5.8%
Total Assets	2,389,812	2,152,822	236,990	11.0%
Current liabilities	18,986	16,597	2,389	14.4%
Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	-
Total liabilities	<u>18,986</u>	<u>16,597</u>	<u>2,389</u>	14.4%
Net position	<u>\$ 2,370,826</u>	<u>\$ 2,136,225</u>	<u>\$ 234,601</u>	11.0%
Summary of net position				
Investment in capital assets	1,297,792	1,377,176	(79,384)	-5.8%
Unrestricted net position	<u>1,073,034</u>	<u>759,049</u>	<u>313,985</u>	41.4%
	<u>\$ 2,370,826</u>	<u>\$ 2,136,225</u>	<u>\$ 234,601</u>	11.0%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Revenues	\$ 435,615	\$ 437,653	\$ (2,038)	-0.5%
Operating expenses	<u>433,114</u>	<u>354,789</u>	<u>78,325</u>	22.1%
Operating income (loss)	2,501	82,864	(80,363)	-97.0%
Nonoperating expenses net of revenues	<u>232,100</u>	<u>38,744</u>	<u>193,356</u>	499.1%
Changes in net position	234,601	121,608	112,993	
Net position				
Beginning	<u>2,136,225</u>	<u>2,014,617</u>	<u>121,608</u>	
Ending	<u>\$ 2,370,826</u>	<u>\$ 2,136,225</u>	<u>\$ 234,601</u>	

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
6/30/2015

Assets**Current Assets**

Cash - checking	\$ 505,041
Investment - certificates of deposit	586,834
Accrued interest receivable	145
Total Current Assets	<u>1,092,020</u>

Noncurrent Assets

Capital assets	
Land	114,860
Buildings and improvements	738,472
Furniture and fixtures	111,591
Office equipment	8,851
Communications equipment	620,237
Vehicles	20,843
	<u>1,614,854</u>
Less accumulated depreciation	(317,062)
Total Noncurrent Assets	<u>1,297,792</u>

Total Assets

\$ 2,389,812

Liabilities and Net Position**Current Liabilities**

Accounts payable	\$ 18,986
Total Current Liabilities	<u>18,986</u>

Total Liabilities

18,986

Net Position

Investment in capital assets	1,297,792
Unrestricted	1,073,034
Total Net Position	<u>2,370,826</u>

Total Liabilities and Net Position

\$ 2,389,812

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, 2015**

Operating Revenues:	
Emergency telephone service charges	\$ 41,042
State Emergency Communications Board - shared wireless charge	174,440
State Emergency Communications Board - operational funding	205,177
State Wireless Additional Fund	14,686
Miscellaneous income	270
Total Operating Revenues	<u>435,615</u>
Operating Expenses:	
Salaries and wages	57,654
Employee benefits	15,591
Contracted services	129,545
Supplies and materials	29,646
Other charges	65,455
Depreciation	135,223
Total Operating Expenses	<u>433,114</u>
Operating Income (Loss)	<u>2,501</u>
Nonoperating Revenues (Expenses)	
Interest income	2,519
State Emergency Communications Board - grants & reimbursements	225,881
Rental income	3,700
Net Nonoperating Revenues (Expenses)	<u>232,100</u>
Change in Net Position	234,601
Total Net Position at Beginning of Year	<u>2,136,225</u>
Total Net Position at End of Year	<u><u>\$ 2,370,826</u></u>

See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash Flows from Operating Activities	
Cash received from customers	\$ 89,482
Cash received from State Emerg. Comm. Board	379,617
Cash paid to suppliers	(222,257)
Cash paid to employees	(57,654)
Cash paid for employee benefits	(15,591)
Net Cash Provided by Operating Activities	<u>173,597</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(55,839)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(55,839)</u>
Cash Flows from Noncapital Financing Activities	
Proceeds from GIS grant - State Emerg. Comm. Board	225,881
Net Cash Provided (Used) by Investing Activities	<u>225,881</u>
Cash Flows from Investing Activities	
Cash received from rental income	3,700
Cash received from interest income	2,519
Purchase of Investments	(102,303)
Net Cash Provided (Used) by Investing Activities	<u>(96,084)</u>
Net Increase in Cash and Cash Equivalents	247,555
Cash and Cash Equivalents at Beginning of Year	257,486
Cash and Cash Equivalents at End of Year	<u>\$ 505,041</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 2,501
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation expense	135,223
(Increase) decrease in accounts receivable	33,484
Increase (decrease) in accounts payable	2,389
Net Cash Provided (Used) by Operating Activities	<u>\$ 173,597</u>

See accompanying notes to the financial statements.

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

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, 2015**

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

Cash, Cash Equivalents, 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:

Unrestricted \$ 1,091,875

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 December 31, 2014 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

Capital Assets

The District defines capital assets as assets with an initial cost of more than \$7,500 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.

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

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

- 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”.

Capital asset activity during the year was as follows:

	Balance at			Balance at
	July 1,			June 30,
	2014	Additions	Deletions	2015
Non-depreciable assets				
Land	\$ 114,860	\$ -	\$ -	\$ 114,860
Construction in progress	-	-	-	-
Total assets not being depreciated	114,860	-	-	114,860
Depreciable assets				
Buildings and improvements	738,472	-	-	738,472
Furniture and fixtures	111,591	-	-	111,591
Office Equipment	8,851	-	-	8,851
Communications Equipment	585,259	34,978	-	620,237
Vehicles	-	20,843	-	20,843
Total capital assets being depreciated	1,444,173	55,821	-	1,499,994
Less accumulated depreciation for:				
Buildings and improvements	19,333	19,025	-	38,358
Furniture and fixtures	37,651	12,922	-	50,573
Office Equipment	7,485	875	-	8,360
Communications Equipment	117,370	101,359	-	218,729
Vehicles	-	1,042	-	1,042
Total Accumulated Depreciation	181,839	135,223	-	317,062
Total Depreciable Assets, net	\$ 1,262,334	\$ (79,402)	\$ -	\$ 1,182,932
Total Capital Assets, net	\$ 1,377,194	\$ (79,402)	\$ -	\$ 1,297,792

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, 2015

NOTE 2 – 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 3 – 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 4 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 20, 2015, the date which the financial statements were available to be issued.

-End of Notes-

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

Salaries and Wages	<u>\$ 57,654</u>
Employee Benefits	
Social security	3,862
Life insurance	36
Medical insurance	3,565
Retirement contributions	6,045
Medical Deductible	2,083
	<u>15,591</u>
Contracted Services	
Audit services	3,000
Legal services	2,760
Impact payments	25,000
Fees paid to service providers	
Line services	44,762
Fiber optic services	5,520
Maintenance agreements	34,570
Lease/rental - building and facilities	2,500
Pest Control	180
Maintenance and repairs	
Communications equipment	4,251
Building and facilities	4,627
Office equipment	498
Vehicles	1,877
	<u>129,545</u>
Supplies and Materials	
Office supplies	1,521
Custodial supplies	2,675
Small equipment purchases	11,548
Postage	276
Electric	3,750
Gas	1,694
Telephone	5,546
Cable service	1,436
Cell phones and pagers	1,200
	<u>29,646</u>
Other Charges	
Bank charges	295
Board meeting	345
Cable expense	300
Dues and memberships	462
Workers' compensation insurance	165
Liability insurance	1,611
Building and contents insurance	10,583
Equipment insurance	196
Vehicle fuel	2,054
Vehicle insurance	1,388
Premiums on surety bonds	883
Public education	4,651
Training expense	6,608
Travel expense	4,572
Verizon mobile connection	7,494
Internet expense	1,688
Contingency	22,160
	<u>65,455</u>
Depreciation	<u>135,223</u>
Total Operating Expenses	<u><u>\$ 433,114</u></u>

See independent auditors' report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2015**

	<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	\$ 49,503	\$ 49,503	\$ 55,806	\$ 6,303
State Emergency Communications Board - Shared wireless charge	261,600	261,600	193,160	(68,440)
Operational funding	124,607	124,607	205,177	80,570
State Wireless Additional Funds	14,685	14,685	14,686	1
Miscellaneous income	250	250	270	20
Total Revenues	<u>450,645</u>	<u>450,645</u>	<u>469,099</u>	<u>18,454</u>
 Operating Expenses				
Salaries and Wages	<u>55,316</u>	<u>57,906</u>	<u>57,654</u>	<u>252</u>
Employee Benefits				
Social security	3,830	3,880	3,862	18
Life insurance	36	36	36	-
Medical insurance	3,624	3,574	3,565	9
Retirement contributions	5,772	6,072	6,045	27
Medical deductible	2,500	2,150	2,083	67
	<u>15,762</u>	<u>15,712</u>	<u>15,591</u>	<u>121</u>
Contracted Services				
Advertising	600	-	-	-
Audit services	3,000	3,000	3,000	-
Legal services	5,000	4,750	2,760	1,990
Impact Payments	25,000	25,000	25,000	-
Customer coverage	2,140	-	-	-
Fiber optics service	5,520	5,520	5,520	-
Line services	45,600	44,800	44,762	38
Maintenance agreements	44,500	41,900	34,570	7,330
Lease/rental - building and facilities	2,500	2,500	2,500	-
Pest Control	400	250	180	70
Repairs- land	400	100	-	100
Repairs-communications equipment.	1,000	1,875	1,861	14
Repairs - buildings and facilities	2,400	4,700	4,627	73
Repairs-office equipment	600	525	498	27
Repairs-vehicles	1,230	1,930	1,877	53
	<u>139,890</u>	<u>136,850</u>	<u>127,155</u>	<u>9,695</u>
Supplies and Materials				
Office supplies	3,000	3,000	1,521	1,479
Custodial supplies	3,600	3,600	2,675	925
Small equipment purchases	1,200	11,577	11,548	29
Software purchases	6,000	6,000	-	6,000
Postage	400	300	276	24
Electric	3,800	3,800	3,750	50
Gas	2,400	2,400	1,694	706
Telephone	5,400	5,550	5,546	4

See independent auditors' report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cable Service	1,200	1,750	1,436	314
Cell phones and pagers	1,200	1,200	1,200	-
	<u>28,200</u>	<u>39,177</u>	<u>29,646</u>	<u>9,531</u>
Other Charges				
Bank charges	100	300	295	5
Board meeting	1,000	350	345	5
Monitoring service	-	300	300	-
Dues and memberships	975	475	462	13
Workers compensation insurance	400	230	165	65
Liability insurance	1,600	1,620	1,611	9
Building and contents insurance	10,000	10,600	10,583	17
Equipment insurance	1,200	600	196	404
Vehicle fuel	2,400	2,400	2,054	346
Vehicle insurance	1,400	1,400	1,388	12
Premiums on surety bonds	900	900	883	17
Public education	6,000	4,700	4,651	49
Training expense	6,000	6,608	6,608	-
Travel expense	12,000	5,000	4,572	428
Verizon Mobile Connection	-	7,500	7,494	6
Internet Expense	8,500	1,700	1,688	12
Contingency	12,000	22,300	22,160	140
	<u>64,475</u>	<u>66,983</u>	<u>65,455</u>	<u>1,528</u>
Total Operating Expenses	<u>303,643</u>	<u>316,628</u>	<u>295,501</u>	<u>21,127</u>
Operating Income (Loss)	<u>147,002</u>	<u>134,017</u>	<u>173,598</u>	<u>39,581</u>
Nonoperating Revenues (Expenses)				
Interest income	180	180	2,519	2,339
State Emergency Communications Board - grants and reimbursements	225,881	225,881	225,881	-
Rental Income	3,699	3,699	3,700	1
Total Nonoperating Revenues (Expenses)	<u>229,760</u>	<u>229,760</u>	<u>232,100</u>	<u>2,340</u>
Revenues in Excess of Expenses	<u>\$ 376,762</u>	<u>\$ 363,777</u>	<u>\$ 405,698</u>	<u>\$ 41,921</u>
Line Item Adjustments to Reconcile Cash Basis Actual Expenditures with Accrual Basis Financial Statements				
Depreciation expense			\$ (135,223)	
Decrease in current receivables			(33,484)	
Increase in accounts payable			(2,390)	
Net Reconciliation Cash to Accrual			<u>(171,097)</u>	
Increase (Decrease) in Net Assets (Accrual)			<u>234,601</u>	
Net Assets, beginning of period			<u>2,136,225</u>	
Net Assets, end of period			<u>\$ 2,370,826</u>	

See independent auditors' report.

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

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL RI
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Henry County Emergency Communications District (a component unit of Henry County, Tennessee), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Henry County Emergency Communications District's basic financial statements and have issued our report thereon dated December 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henry County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 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, sweeping flourish extending to the right.

Cowart Reese Sargent, CPAs.
Martin, TN

December 20, 2015

**Henry County Emergency Communications Board
Paris, Tennessee
Schedule of Disposition of Prior Year Findings
For the Year Ended June 30, 2015**

Finding Number	Finding Title	Status
	None	

**Henry County Emergency Communications Board
Paris, Tennessee
Schedule of Current Year Findings
For the Year Ended June 30, 2015**

None