HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hickman County Emergency Communications District
Centerville, Tennessee

I have audited the accompanying statement of net assets of the Hickman County Emergency Communications District, a component unit of Hickman County, as of June 30, 2008, and the related statement of revenues, expenses and changes in net assets, and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hickman County Emergency Communications District as of June 30, 2008,and the results of its operations and its cash flows for the year then,ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 2, 2009, on my consideration of Hickman County Emergency Communications District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hickman County Emergency Communications District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

The Hickman County Emergency Communications District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

D. Gregory Johnson, CPA

April 2, 2009

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD OF DIRECTORS
YEAR ENDED JUNE 30, 2008

Management Officials

Misty Aydelott, Address Coordinator

Board of Directors

Steve Gregory, Board Chairman

Terry Cloud, Secretary/Treasurer

Ronnie Martin, Member

Charles List, Member

Bill Henley, Member

David Love, Member

Tony McCord, Member

Ronnie Overbey, Member

Randal Ward, Member

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current assets	
Cash and equivalents	$ 254,428
Accounts receivable	7,837
Other receivables	8,783
Total current assets	271,048
Capital assets	
Communications equipment	272,957
Furniture and fixtures	2,469
Operating system	194,437
Vehicles	12,800
	482,663
Less accumulated depreciation	(205,395)
	277,268
Total assets	$ 548,316

LIABILITIES AND NET ASSETS

Current liabilities	
Accrued expenses	$ 185
Net assets	
Invested in capital assets	277,268
Unrestricted	270,863
Total net assets	548,131
Total liabilities and net assets	$ 548,316

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

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

Operating revenue	
Emergency telephone service charges	$ 94,838
State emergency communications board - shared wireless	50,708
State emergency communications board - operational funding	86,169
Other income	6,059
Total operating revenue	237,774
Operating expenses	
Salaries and wages	27,571
Employee benefits	2,441
Contracted services	66,949
Supplies and materials	8,915
Other charges	4,435
Depreciation	74,133
Total operating expenses	184,444
Net operating income	53,330
Nonoperating revenue (expense)	
Interest income	1,236
Grants	35,998
Net nonoperating revenue	37,234
Increase in net assets	90,564
Net assets, beginning of year	457,567
Net assets, end of year	$ 548,131

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

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

Cash flows from operating activities	
Receipts from surcharges and other revenue	$ 237,851
Payments to suppliers	(120,416)
Payments to employees	(30,390)
Net cash provided by operating activities	87,045
Cash flows from noncapital financing activities	
Proceeds from grants	153,596
Cash flows from capital and related financing activities	
Purchase of capital assets	(138,598)
Cash flows from investing activities	
Interest income	1,236
Proceeds from other receivables	2,850
Net cash provided by investing activities	4,086
Net increase in cash	106,129
Cash at beginning of year	148,299
Cash at end of year	$ 254,428

Reconciliation of operating income to net cash flows from operating activities	
Net operating income	$ 53,330
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	74,133
(Increase) decrease in accounts receivable	77
(Increase) decrease in due from State of Tennessee	117,598
Increase (decrease) in accounts payable	(157,715)
Increase (decrease) in accrued expenses	(378)
	$ 87,045

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

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

Nature of Activities

Hickman County Emergency Communications District, a Tennessee nonprofit corporation, was organized to provide Emergency 911 service to the residents of Hickman County. The communications system was a project whereby the District could accelerate location and response by emergency vehicles and be directed from a centralized call processing facility.

The District is a discretely presented component unit of Hickman County, Tennessee (the primary government). The District is governed by a seven voting and two non-voting board of directors appointed by the Hickman County Mayor and ratified by the commissioners of Hickman County. The District is considered a discretely presented component unit of Hickman County as defined under the criteria set forth in Governmental Accounting Standards Board Statement 14, because the district would be unable to issue debt without going through Hickman County, Tennessee.

Bylaws of the District provide that, upon liquidation, its residual assets shall either be distributed for one or more tax exempt purposes or be distributed to the federal, state, or local government for a public purpose.

Basis of Accounting and Financial Statement Presentation

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.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts to follow option one of GASB Statement No. 20. This option requires the District to follow only GASB guidance after November 30, 1989, and not follow any FASB guidance after that date.

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.

Cash and Cash Equivalents

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are defined by the District as assets with an initial cost of more than $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 and amortization are provided for in amounts sufficient to relate the cost of the assets to operations over their estimated service lives using the straight-line method of depreciation. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 - 40 years
Communications equipment	5 - 10 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years

Income Taxes

Hickman 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.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are emergency telephone service charges to residents for providing emergency 911 services. Operating expenses include payroll expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Data

The District is required by state statute to adopt an annual budget. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Prior to the beginning of the fiscal year, the Board of Directors prepares an operating budget and submits to the Hickman County Commission for approval. Outlays for capital items are budgeted as expenses. Therefore, the budget is not intended to be presented in accordance with generally accepted accounting principles. The budget may be amended by the Board as conditions warrant throughout the year.

Compensated Absences

It is the policy of the District that unused leave at the end of a fiscal year does not carry over to the next year. Vacation and sick leave expenditures are recognized when paid. Therefore, no accrual for accumulated unpaid leave is necessary.

NOTE B – CASH AND DEPOSITORY COLLATERAL

The District's policies limit deposits with financial institutions, including cash and certificates of deposit to accounts with commercial banks which are required to pledge securities as collateral for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The financial institutions used by the District are participants in the Tennessee Collateral Pool, which was established to provide security for public funds deposits in excess of FDIC coverage. At June 30, 2008, the District's deposits were fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

NOTE C – RECEIVABLES

The following schedule reflects the components of receivables as of June 30, 2008:

Accounts receivable	
Emergency telephone service charges	$ 7,837
Other receivables	
Reimbursements due from former employee, dispatchers, and Board of Directors	$ 8,783

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is presented below:

	Balance July 1, 2007	Increases	Decreases	Adjustments	Balance June 30,2008
Communications equipment	$ 236,957	$ 21,000	$ -	$ 15,000	$ 272,957
Furniture and fixtures	2,469	-	-	-	2,469
Operating system	194,437	-	-	-	194,437
Vehicles	12,800	-	-	-	12,800
Total cost	446,663	21,000	-	15,000	482,663
Less accumulated depreciation for:					
Communications equipment	(90,873)	(32,811)	-	(15,000)	(138,684)
Furniture and fixtures	(288)	(494)	-	-	(782)
Operating system	(24,461)	(38,268)	-	-	(62,729)
Vehicles	(640)	(2,560)	-	-	(3,200)
Total accumulated depreciation	(116,262)	(74,133)	-	(15,000)	(205,395)
Capital assets, net	$ 330,401	$ (53,133)	$ -	$ -	$ 277,268

Adjustments were necessary due to the fact that, fully depreciated equipment totaling $15,000 still in use by the District had been incorrectly removed from the fixed assets listing in the previous year.

NOTE E – ACCRUED EXPENSES

Accrued expenses at June 30, 2008, consist of the following:

Accrued payroll taxes	$ 185

NOTE F – MAJOR REVENUE SOURCE

Revenue for operation and maintenance of the Hickman County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The surcharge is collected by AT &T Telephone Company and remitted to the District monthly less a 1% administrative fee. In fiscal year 2000, the District began collecting 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. In 2007, the Tennessee Emergency Communications Board began distributing additional amounts as part of the operational funding program to assist districts with the basic costs of 911 service. AT&T surcharges, state shared wireless revenues, and operational funding represented approximately 97% of the District's total operating revenue, for the year ended June 30, 2008.

NOTE G – OPERATING LEASE

The District leases communications equipment from AT&T. The lease is an annual renewable, and lease payments for year ended June 30, 2008, amounted to $48,426. The District also leases office space from the Town of Centerville under a two-year renewable lease. Annual lease payments under this lease totaled $2,200 for the year ended June 30, 2008.

NOTE H – 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; injuries to employees; and natural disasters. For the year ended June 30, 2008, the District was insured against potential losses associated with these risks through the purchase of commercial insurance for management liability and through a blanket general liability policy purchased by Hickman County. There have been no losses in excess of insurance coverage during the last three years.

SUPPLEMENTARY INFORMATION

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2008

Salaries and wages	
Address coordinator	$ 24,706
Administrative personnel	2,865
	27,571
Employee benefits	
Social security	1,866
Medicare	392
State unemployment tax	183
	2,441
Contracted services	
Accounting services	1,686
Advertising	383
Leased communications equipment	48,426
Leased building facilities	2,200
Mapping/database consultants	11,875
Office maintenance	917
Vehicle operation/maintenance	1,462
	66,949
Supplies and materials	
Office supplies	5,688
Postage	174
Utilities	
General telephone	2,039
Cell phones and pagers	1,014
	8,915
Other charges	
Dues and subscriptions	520
Insurance - liability and bonding	274
Travel	3,641
	4,435
Depreciation	74,133
	$ 184,444

See auditor's report.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating revenue				
Emergency telephone service charges	$ 98,400	$ 98,400	$ 94,838	$ (3,562)
State emergency communications board - shared wireless	22,800	22,800	50,708	27,908
State emergency communications board - operational funding	-	-	86,169	86,169
Other income	-	-	6,059	6,059
Total operating revenue	121,200	121,200	237,774	116,574
Operating expenses				
Salaries and wages				
Address coordinator	26,993	26,993	24,706	2,287
Administrative personnel	-	-	2,865	(2,865)
	26,993	26,993	27,571	(578)
Employee benefits				
Social security	2,000	2,000	1,866	134
Medicare	-	-	392	(392)
State unemployment tax	-	-	183	(183)
	2,000	2,000	2,441	(441)
Contracted services				
Accounting services	1,000	1,000	1,686	(686)
Advertising	500	500	383	117
Audit services	1,000	1,000	-	1,000
Contracted dispatchers	30,000	-	-	-
Leased communications equipment	45,960	45,960	48,426	(2,466)
Leased building facilities	2,400	2,400	2,200	200
Mapping/database consultants	-	-	11,875	(11,875)
Office maintenance	1,000	1,000	917	83
Vehicle operation/maintenance	2,500	2,500	1,462	1,038
	84,360	54,360	66,949	(12,589)
Supplies and materials				
Office supplies	500	500	5,688	(5,188)
Postage	250	250	174	76
Small equipment purchases	2,500	2,500	-	2,500
Utilities				
Gas	1,600	1,600	-	1,600
General telephone	2,400	2,400	2,039	361
Cell phones and pagers	900	900	1,014	(114)
	8,150	8,150	8,915	(765)

See auditor's report.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Other charges				
Bank charges	100	100	-	100
Board meeting expenses	1,000	1,000	-	1,000
Dues and memberships	500	500	520	(20)
Employee testing and exams	500	500	-	500
Legal notices	100	100	-	100
Insurance - liability and bonding	375	375	274	101
Licenses and fees	500	500	-	500
Public education	1,000	1,000	-	1,000
Training	3,000	3,000	-	3,000
Travel	8,000	8,000	3,641	4,359
	15,075	15,075	4,435	10,640
Depreciation	11,000	11,000	74,133	(63,133)
Total operating expenses	147,578	117,578	184,444	(66,866)
Operating revenues over (under) expenses	(26,378)	3,622	53,330	49,708
Nonoperating revenue (expense)				
Interest income	780	780	1,236	456
Grants and reimbursements	85,000	15,000	35,998	20,998
Equipment purchases	(50,000)	(10,000)	(21,000)	(11,000)
Total nonoperating revenue (expense)	35,780	5,780	16,234	10,454
Increase (decrease) in budgetary net assets	$ 9,402	$ 9,402	$ 69,564	$ 60,162

Budgetary to Actual Reconciliation

Increase (decrease) in budgetary net assets	$ 69,564
Equipment purchases not deducted as expenditures	21,000
Actual increase in net assets	$ 90,564

See auditor's report.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2008

State emergency communications board - net clock grant	$ 4,998
State emergency communications board - GIS mapping grant	10,000
State emergency communications board - channel recorder grant	21,000
	$ 35,998

See auditor's report.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD
YEAR ENDED JUNE 30, 2008

A. The District has one public safety answering point (PSAP).

B. The address of Hickman County's PSAP is 128 N. Central Avenue, Centerville, TN 37033.

C. The District uses a Positron Lifeline system with the A T & T database.

D. The director of the Hickman County Emergency Communications District as of June 30, 2008:

Misty Aydelott
102 East Swan Street
Centerville, TN 37033
Phone: 931-729-2259
Fax: 931-729-3528

E. The chairman of the Board of Directors for the Hickman County Emergency Communications District as of June 30, 2008:

Steve Gregory
Mayor, Hickman County
#5 Courthouse
Centerville, TN 37033
Phone: 931-729-2492
Fax: 931-729-6150

As of October 16, 2008, the chairman of the Board of Directors:

Tony McCord
121 E. Ward St.
Centerville, TN 37033
Phone: 931-729-4920

See auditor's report.

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

514-B NORTH GARDEN STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hickman County Emergency Communications District
Centerville, Tennessee

I have audited the financial statements of Hickman County Emergency Communications District, a component unit of Hickman County, as of and for the year ended June 30, 2008, and have issued my report thereon dated April 2, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hickman County Emergency Communications District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiences in internal control over financial reporting that might be significant deficiences or material weaknessess. However, as discussed below, I identified certain deficiences in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. I consider the deficiencies described in the the accompanying schedule of findings and managment's responses to be significant deficiencies in internal control over financial reporting. Significant deficiences are described in the accompanying schedule of findings and responses as items 2008-3 and 2008-5.

A material weakness is a significant deficiency, or combinaton of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necesarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiences that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 2008-3 and 2008-5 to be material weaknesses.

MEMBER
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hickman County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-1, 2008-2, 2008-4 and 2008-6.

Hickman County Emergency Communications District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended soley for the information and use of the management, board of directors of the Hickman County Emergency Communications District, and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

D. Gregory Johnson, CPA

D. Gregory Johnson, CPA
Columbia, Tennessee
April 2, 2009

Finding 2008-1 - Expenditures Exceeded Budget and Fiscal Plan

The District exceeded budgeted amounts in several of its operating expenses. The Tennessee Code Annotated Section 7-86-120(a)(1) states "that all moneys received and expended by a district shall be included in the budget. Therefore, notwithstanding any other provision of law, no district may expend any moneys regardless of their source, including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget adopted under this section." The TCA further states that nothing limits the authority of the board of directors from amending a budget after adoption. (This was also a finding at June 30, 2007.)

Recommendation

I recommend that the District adopt amendments to its budget when unexpected departures from its fiscal plan are anticipated.

Management's Comments

Stricter controls have been implemented concerning District expenditures effective with the 2008-2009 budget year. Budget amendments are being approved by the board whenever expenditures exceed budgeted amounts.

Finding 2008-2 - District Has Not Received Reimbursements for Cash Shortages as Previously Determined by the Tennessee Comptroller of the Treasury, Division of County Audit

The Board and dispatchers have not fully reimbursed the District for unauthorized airfare and conference registration expenses for spouses and relatives. The Division of County Audit determined that $1,864 was unauthorized and payable to the District; however, only $176 has been collected as of April 2, 2009. (This was also a finding at June 30, 2007.)

Recommendation

I recommend that dispatchers and Board members be required to reimburse the District in accordance with the Comptroller's Office audit.

Management's Comments

Efforts continue to collect these reimbursement amounts, however exact amounts have been difficult to determine as a number of the Board members and dispatchers have stated that they reimbursed the former District Coordinator in cash, but received no receipts.

Finding 2008-3 - Cash Disbursements Not Properly Supported by Invoices or Contract Agreements and Not Properly Classified in the Financial Statements

An examination of cash disbursements revealed that transactions were not always supported by invoices or other documentation. The District contracts with a bookkeeping service to prepare its financial statements, however, no contract agreement or invoices were evident to support the arrangement. Financial statements were not prepared and transactions posted in accordance with the Tennessee Emergency Communications Board's uniform chart of accounts.

Recommendation

I recommend, in order to provide proper internal controls, that the District require all transactions to be supported by invoice, and that the District require all recurring transactions between contractors or other outside sources be supported by a contract agreement or similar document. I also recommend that financial statements be prepared in accordance with the required uniform chart of accounts as established by the Tennessee Emergency Communications Board.

Management's Comments

I have discussed this finding with the bookkeeping company owner and they will provide invoices for the monthly fees associated with the services provided to the district between now and the end of June 2009. Effective July 1, 2009 a written contractual agreement will be in place to be renewed every year upon approval by the Board of Directors. I have also instructed both the District Coordinator and the Bookkeeping service that no invoices may be paid without supporting documentation. (Also, all checks require dual signatures by two District Board members).

Finding 2008-4 - Financial Reporting for Board Meetings Incomplete

The Tennessee Code Annotated, Section 7-86-123, requires that a financial report of the District's activities must be provided to the board of directors at every scheduled meeting of the board in accordance with guidelines established by the Comptroller of the Treasury. Included in the minimum requirements is a requirement that a budgetary statement comparing the budget with actual for the year to date be presented, and a balance sheet reflecting the financial position of the District as well as a statement of operations. Currently, the District does not review the budget to date at its meetings. Also, the financial statements presented at the meeting do not reflect the activity in savings accounts. A complete set of financials providing a detail of all the assets and liabilities and the operations of the District is not presented at each meeting

Recommendation

I recommend that the District have available for review and approval each month, financial reports of the activities of the District in accordance with the guidelines established by Comptroller of the Treasury in accordance with the Tennessee Code Annotated. Improved financial reporting at board meetings will assist the Board with budget decisions and provide more useful information for the budget preparation process.

Management's Comments

Proper financial statements are now provided by the Bookkeeping service at each regularly scheduled Board meeting. I will verify that financial statements are in accordance with applicable TCA guidelines.

Finding 2008-5 - No Formal Written Internal Control Manual or Policies

Currently, the District does not have written internal control policies and procedures. The Accountng and Financial Reporting Manual for Tennessee Emergency Communications Districts states that "internal controls are the practical techniques that the management of an emergency communications district uses to achieve its objectives and to meet its responsibilites" and "to provide reasonalbe assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations". The manual further states that "a comprehensive internal control framework should 1) create and maintain an environment conducive to control, 2) ensure that risks from both inside and outside the entity are assessed and managed on an ongoing basis, 3) result in the design and implementation of appropriate control-related policies and procedures, 4) provide for the appropriate communication of information, and 5) monitor the effectiveness of control-related policies and procedures".

Recommendation

I realize the District must evaluate the costs of creating a formal internal control document. However, even an entity as small as the District, can put simple controls in place to prevent and detect misstatements on a timely basis. I recommend that the District establish some form of written internal control policies to ensure compliance, proper financial reporting, and improved operating effectiveness and efficiency.

Management's Comments

Although as you mentioned, due to the size of the Hickman County 911 District a large formal internal controls document is probably not cost effective, some written policy and procedure manual is needed to maintain internal controls. Efforts to create such a document will commence as soon as possible.

Finding 2008-6 - Year-End Financial Audit Not Submitted in a Timely Manner to the Comptroller of the Treasury of the State of Tennessee

The District's audit report has consistently been filed late with the Comptroller's Office. The approved Contract to Audit Accounts requires audits to be submitted within six months of year-end. The usefulness of reports issued so long after year-end is greatly diminished.

Recommendation

I recommend that the District ensure that financial statements are complete and ready to audit as quickly and efficiently as possible at year-end. Coordinate and schedule with the auditor as soon as possible after year-end to provide the auditor enough time to perform necessary and required audit procedures in order to complete the audit in a timely manner as required by the Comptroller's Office.

Management's Comments

A renewed effort will be undertaken by the District management to be sure the proper information is forwarded to your office in a timely manner to ensure maximum benefit from the previous year audit.

Disposition of Prior Year Findings

Except for the findings noted above, the District satisfactorily corrected the prior year findings.