

HICKMAN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009**

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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, Tennessee as of June 30, 2009, 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 the Hickman County Emergency Communications District as of June 30, 2009, 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 July 9, 2010, on my consideration of the 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 accompanying information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. My opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive style with a large, stylized initial "D".

D. Gregory Johnson, CPA
Columbia, Tennessee
July 9, 2010

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD OF DIRECTORS
YEAR ENDED JUNE 30, 2009**

Management Officials

Misty Aydelott, Address Coordinator

Board of Directors

Tony McCord, Board Chairman

Terry Cloud, Secretary/Treasurer

Ronnie Martin, Member

Charles List, Member

Jerry Deal, Member

Hugh David Love, Member

Ronnie Overbey, Member

Randal Ward, Member

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current assets	
Cash and equivalents	\$ 321,870
Accounts receivable	21,440
Other receivables	4,283
	<hr/>
Total current assets	347,593
Capital assets	
Communications equipment	278,177
Furniture and fixtures	2,469
Operating system	194,437
Vehicles	12,800
	<hr/>
	487,883
Less accumulated depreciation	<hr/>
	(281,991)
	<hr/>
Total capital assets	205,892
Total assets	<hr/>
	\$ 553,485
	<hr/>

LIABILITIES AND NET ASSETS

Current liabilities	<hr/>
	\$ -
Net assets	
Invested in capital assets	205,892
Unrestricted net assets	347,593
	<hr/>
Total net assets	553,485
Total liabilities and net assets	<hr/>
	\$ 553,485
	<hr/>

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, 2009**

Operating revenue	
Emergency telephone service charges	\$ 88,940
State emergency communications board - shared wireless	45,765
State emergency communications board - operational funding	86,169
Other income	9,939
Total revenue	230,813
 Operating expenses	
Salaries and wages	34,002
Employee benefits	2,600
Contracted services	103,493
Supplies and materials	3,778
Other charges	20,032
Depreciation	76,596
Total operating expenses	240,501
Net operating income (loss)	(9,688)
 Nonoperating revenue (expense)	
Interest income	467
Grants and reimbursements	14,575
Net nonoperating income	15,042
Increase in net assets	5,354
Net assets, beginning of year	548,131
Net assets, end of year	\$ 553,485

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

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities	
Receipts from surcharges and other revenue	\$ 217,210
Payments to suppliers	(127,303)
Payments to employees	<u>(36,787)</u>
Net cash provided by operating activities	<u>53,120</u>
 Cash flows from noncapital financing activities	
Proceeds from grants and reimbursements	<u>14,575</u>
 Cash flows from capital and related financing activities	
Cash purchases of capital assets	<u>(5,220)</u>
 Cash flows from investing activities	
Interest income	467
Proceeds from other receivables	<u>4,500</u>
Net cash provided by investing activities	<u>4,967</u>
Net increase in cash	67,442
Cash and equivalents, beginning of year	<u>254,428</u>
Cash and equivalents, end of year	<u><u>\$ 321,870</u></u>
 Reconciliation of operating income (loss) to net cash flows from operating activities	
Net operating income (loss)	\$ (9,688)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities	
Depreciation	76,596
Increase in accounts receivable	(13,603)
Decrease in accrued expenses	<u>(185)</u>
Net cash provided by operating activities	<u><u>\$ 53,120</u></u>

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

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE A – 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. The District is self-supported by a telephone subscriber fee charged to the citizens of Hickman County. The District's financial statements include only the assets and operations of the District, and do not include any other fund, organization, agency or department of Hickman County.

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.

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

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

Basis of Accounting and Financial Statement Presentation (continued)

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets 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 assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

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:

Building 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.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

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

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. Expenses must be presented at the legal level of control, which is defined to be at the line-item level. 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.

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.

NOTE B – CASH AND DEPOSITORY COLLATERAL

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As required by state statutes, the District's current policies limit deposit of funds to accounts with commercial banks which are required to pledge securities as collateral for the deposits should they be in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE B – CASH AND DEPOSITORY COLLATERAL (CONTINUED)

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, 2009, the District's deposits were fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

The District's investment policy follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301. State statutes authorize the District to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits, and repurchase agreements, which require the approval of the State Director of Local finance. The District places no restriction on the amount that it may invest with any one issuer.

NOTE C – ACCOUNTS RECEIVABLE

The following schedule reflects the components of accounts receivable as of June 30, 2009:

Accounts receivable	
Emergency telephone service charges	\$ 7,079
State emergency communications board - operational funding	<u>14,361</u>
	<u>\$ 21,440</u>
Other receivables	
Reimbursements due from former employee, dispatchers, and Board of Directors	<u>\$ 4,283</u>

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is presented below:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Communications equipment	\$ 272,957	\$ 5,220	\$ -	\$ 278,177
Furniture and fixtures	2,469	-	-	2,469
Operating system	194,437	-	-	194,437
Vehicles	12,800	-	-	12,800
	<u>482,663</u>	<u>5,220</u>	<u>-</u>	<u>487,883</u>
Less accumulated depreciation for:				
Communications equipment	(138,684)	(35,274)	-	(173,958)
Furniture and fixtures	(782)	(494)	-	(1,276)
Operating system	(62,729)	(38,268)	-	(100,997)
Vehicles	(3,200)	(2,560)	-	(5,760)
	<u>(205,395)</u>	<u>(76,596)</u>	<u>-</u>	<u>(281,991)</u>
Capital assets, net	<u>\$ 277,268</u>	<u>\$ (71,376)</u>	<u>\$ -</u>	<u>\$ 205,892</u>

Depreciation charged to expense for the current year amounted to \$76,596.

NOTE E – 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. The Tennessee Emergency Communications Board also distributes 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 96% of the District's total operating revenue, for the year ended June 30, 2009.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

NOTE F – OPERATING LEASES

The District leases communications equipment from AT&T. The lease is an annual renewable, and lease payments for year ended June 30, 2009, amounted to \$45,691. The District also leases office space from the Town of Centerville under a two-year renewable lease. Annual lease payments under this lease totaled \$2,800 for the year ended June 30, 2009.

NOTE G – 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, 2009, 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, 2009**

Salaries and Wages	
Address coordinator	\$ 31,507
Administrative personnel	2,495
	<u>34,002</u>
Employee Benefits	
Social security	2,107
Medicare	493
	<u>2,600</u>
Contracted Services	
Accounting services	2,575
Advertising	147
Audit services	9,800
Leased communications equipment	45,691
Leased building facilities	2,800
Mapping/database consultants	35,625
Office maintenance	4,824
Vehicle operation/maintenance	2,031
	<u>103,493</u>
Supplies and Materials	
Office supplies	1,008
Small equipment purchases	173
Utilities	
General telephone	1,673
Cell phones and pagers	924
	<u>3,778</u>
Other Charges	
Dues and memberships	364
Insurance - liability and bonding	474
Public education	2,260
Travel	16,934
	<u>20,032</u>
Depreciation	<u>76,596</u>
	<u><u>\$ 240,501</u></u>

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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
Operating revenue				
Emergency telephone service charges	\$ 95,400	\$ 95,400	\$ 88,940	\$ (6,460)
State emergency communications board - shared wireless	22,800	22,800	45,765	22,965
State emergency communications board - operational funding	-	-	86,169	86,169
Other income	-	17,880	9,939	(7,941)
	<u>118,200</u>	<u>136,080</u>	<u>230,813</u>	<u>94,733</u>
Operating expenses				
Salaries and wages				
Address coordinator	31,537	31,537	31,507	30
Administrative personnel	-	2,880	2,495	385
	<u>31,537</u>	<u>34,417</u>	<u>34,002</u>	<u>415</u>
Employee benefits				
Social security	2,412	2,412	2,107	305
Medicare	-	-	493	(493)
	<u>2,412</u>	<u>2,412</u>	<u>2,600</u>	<u>(188)</u>
Contracted services				
Accounting services	2,600	2,600	2,575	25
Advertising	400	400	147	253
Audit services	300	300	9,800	(9,500)
Leased communications equipment	47,296	47,296	45,691	1,605
Leased building facilities	2,200	2,200	2,800	(600)
Mapping/database consultants	22,000	37,000	35,625	1,375
Office maintenance	6,000	6,000	4,824	1,176
Vehicle operation/maintenance	1,000	1,000	2,031	(1,031)
	<u>81,796</u>	<u>96,796</u>	<u>103,493</u>	<u>(6,697)</u>

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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Supplies and materials				
Office supplies	1,000	1,000	1,008	(8)
Postage	500	500	-	500
Small equipment purchases	1,000	1,000	173	827
Utilities				
Gas	2,800	2,800	-	2,800
General telephone	3,500	3,500	1,673	1,827
Cell phones and pagers	-	-	924	(924)
	<u>8,800</u>	<u>8,800</u>	<u>3,778</u>	<u>5,022</u>
Other charges				
Board meeting expenses	3,000	3,000	-	3,000
Dues and memberships	2,000	2,000	364	1,636
Legal notices	1,000	1,000	-	1,000
Insurance - liability and bonding	500	500	474	26
Licenses and fees	1,000	1,000	-	1,000
Public education	-	-	2,260	(2,260)
Training	1,000	1,000	-	1,000
Travel	1,000	1,000	16,934	(15,934)
	<u>9,500</u>	<u>9,500</u>	<u>20,032</u>	<u>(10,532)</u>
Depreciation	-	-	76,596	(76,596)
Total operating expenses	<u>134,045</u>	<u>151,925</u>	<u>240,501</u>	<u>(88,576)</u>
Operating revenues over (under) expenses	<u>(15,845)</u>	<u>(15,845)</u>	<u>(9,688)</u>	<u>6,157</u>
Nonoperating revenue (expenses)				
Interest income	845	845	467	(378)
Other income	-	-	-	-
Grants & reimbursements	15,000	15,000	14,575	(425)
Equipment purchases	-	-	(5,220)	(5,220)
Total nonoperating revenue (expenses)	<u>15,845</u>	<u>15,845</u>	<u>9,822</u>	<u>(6,023)</u>
Increase in budgetary net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 134</u>

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, 2009**

Budget to Actual Reconciliation

Increase in budgetary net assets	\$ 134
Equipment purchases not deducted as expenditures	<u>5,220</u>
Actual increase in net assets	<u><u>\$ 5,354</u></u>

See auditor's report.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2009**

	<u>Amount Received</u>
State emergency communications board - GIS mapping grant	<u>\$ 14,575</u>

See auditor's report.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE
EMERGENCY COMMUNICATIONS BOARD
YEAR ENDED JUNE 30, 2009**

- 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 and address coordinator of Hickman County Emergency Communications District is:

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 is:

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

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

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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 the Hickman County Emergency Communications District as of and for the year ended June 30, 2009, and have issued my report thereon dated July 9, 2010. I conducted my audit in accordance with auditing standards general 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 the 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 Hickman County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Hickman County Emergency Communications 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 deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and management's comments, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

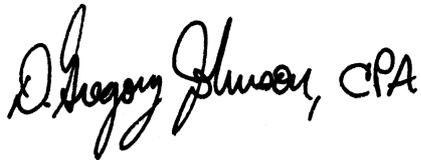
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and management's comments to be material weaknesses. Material weaknesses are described in the accompanying schedule of findings and management's comments as items 2009-4 and 2009-6.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 management's comments as items 2009-1, 2009-2, 2009-3, and 2009-5.

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

This report is intended solely 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.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive, flowing style.

D. Gregory Johnson, CPA
Columbia, Tennessee
July 9, 2010

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND MANAGEMENT'S COMMENTS
YEAR ENDED JUNE 30, 2009**

Finding 2009-1 - 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, 2008.)

Recommendation

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

Management's Comments

We did a budget amendment for the 2008-2009 year. It was with the minutes for the June 2009 meeting.

Finding 2009-2 - 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 to date. (This was also a finding at June 30, 2008.)

Recommendation

I recommend that the Board determine that either dispatchers and Board members be required to reimburse the District in accordance with the Comptroller's Office audit, or deem the amounts uncollectible and adhere to the required procedures for write-off of the debt.

Management's Comments

We are going to send out letters to all board members and dispatchers that need to reimburse the district. If they refuse to pay by saying they have paid what they owe or by saying they never requested what they are being charged for they will have to sign an affidavit giving the reason for not paying.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND MANAGEMENT'S COMMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

Finding 2009-3 - Insufficient Surety Bond Coverage

The surety bond coverage amounts are insufficient based on the requirements of state statutes. According to the Tennessee Code Annotated section 7-86-119, any authorized person of an emergency communications district, who receives public funds, has authority to make expenditures from public funds, or has access to any public funds shall be bonded. Based on the section 7-86-119(b)(2), the minimum amount of bond for the District, based on revenues, is computed as \$29,586. Currently, the District's bond coverage is \$25,000.

Recommendation

I recommend that the Board immediately comply with the state statute by increasing its bond coverage on employees and applicable Board members to an amount sufficient to meet future anticipated revenues.

Management's Comments

We are going to look into this and determine what amount the bond needs to be raised to according to the state.

Finding 2009-4 - No Formal Written Internal Control Manual or Policies

Currently, the District does not have written internal control policies and procedures. The Accounting 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 responsibilities" and "to provide reasonable 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". (This was also a finding at June 30, 2008.)

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.

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND MANAGEMENT'S COMMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

Management's Comments

We are looking into this and will have one set in place soon.

**Finding 2009-5 - 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. (This was also a finding at June 30, 2008.)

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

The District will have everything ready for the auditor as soon as possible at the year end.

**Finding 2009-6 - Transactions Not Coded to Proper Accounts in General Ledger and
Tennessee Emergency Communications Board Chart of Accounts Not Followed Consistently**

The District's accounting and current system of internal controls does not insure proper posting to the general ledger. Currently, the District contracts with an outside bookkeeping service to perform accounting functions. However, District personnel do not code deposits and disbursements before submitting to the outside bookkeeper for posting to the general ledger. The outside bookkeeper has to determine which account to post expenses, while revenues are all posted to one account titled "commissions". The result is that revenues are not posted according to source, and expenditures are not consistently posted to the proper expense accounts throughout the fiscal year. In addition, the District does not correctly utilize the Tennessee Emergency Communications Board chart of accounts for emergency communications districts. (This was also a finding at June 30, 2008.)

**HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND MANAGEMENT'S COMMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

Recommendation

It is the District's responsibility to establish internal controls to provide for the effectiveness and efficiency of its operations and to improve the reliability of its financial reporting. I recommend that financial statements be prepared in accordance with the required uniform chart of accounts as established by the Tennessee Emergency Communications Board. I also recommend that the District establish internal controls whereby the District's personnel indicate by account code, on all checks to be written, and on all deposit summaries, according to the TECB chart of accounts, before submitting information to the outside bookkeeper. The determination of proper general ledger accounts should be the responsibility of the District, not the outside bookkeeper.

Management's Comments

We have started coding everything before it goes to the Bookkeeper so he will know which general ledger account it should go in.

Disposition of Prior Year Findings

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