

HICKMAN COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

(A Component Unit)

Financial Statements

June 30, 2011

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Table of Contents

	<u>Page Number</u>
BOARD of DIRECTORS and OFFICIERS	I
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	2-4
FINANCIAL STATEMENTS:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements.....	9 - 11
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues and Expenses - Budget and Actual	13
Schedule of Monthly Rates In Effect	14
Schedule of Number and Classification of Customers	15
Schedule of State Financial Assistance	16
INTERNAL CONTROL AND COMPLIANCE:	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	18-19

INTRODUCTORY SECTION

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Directors and Officers

June 30, 2011

<u>Official</u>	<u>Office</u>
Ronnie Martin	Chairman
Janet Kelly	Board Member
Charles List	Board Member
Jerry Deal	Board Member
Hugh David Love	Board Member
Ronnie Overbey	Board Member
Randal Ward	Board Member
Carl Grimes	Board Member
Rick Hines	Board Member
Management	
Misty Aydelott	Address Coordinator

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hickman County Emergency Communications District
Centerville, Tennessee

I have audited the accompanying financial statements of Hickman County Emergency Communications District, a component unit of Hickman County, Tennessee for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Hickman County Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted of the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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, a component unit of Hickman County, as of June 30, 2011, and the results of its operations and the cash flows for the year ending June 30, 2011 in conformity with accounting principles generally accepted of the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2011, on the consideration of Hickman County Emergency Communications District's internal control over financial reporting and the test of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of the 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 considered in assessing the results of the audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was conducted for the purpose of forming an opinion on the financial statements of Hickman County Emergency Communications District, a component unit of Hickman County, taken as a whole. The accompanying Introductory Section and the Supplemental Schedules in the table of contents, including the Schedule of State Financial Assistance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in my opinion is fairly stated in all material respects in relation to the financial statements, taken as a whole.

John R. Poole, CPA

November 30, 2011

Hickman County Emergency Communications District

Management's Discussion and Analysis

As management of the Hickman County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Hickman County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$718,989. Of this amount, \$600,347 (unrestricted net assets) may be used to meet the District's ongoing obligations. The District's total net assets increased by \$82,960 during the current year as the District received higher than expected operating revenues and was able to control its costs within budgeted amounts.

Overview of the Financial Statements:

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic financial statements can be found on pages 6-8 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-11 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Hickman County Emergency Communications District, assets exceeded liabilities by \$718,989 at the close of the most recent fiscal year. By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Hickman County Emergency Communications District's Net Assets

	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 503,215	604,548
Capital assets, net	<u>133,039</u>	<u>118,642</u>
Total assets	<u><u>636,254</u></u>	<u><u>723,190</u></u>
Accounts payable	<u>225</u>	<u>4,201</u>
Total liabilities	<u><u>225</u></u>	<u><u>4,201</u></u>
Net assets:		
Invested in capital assets	133,039	118,642
Unrestricted	<u>502,990</u>	<u>600,347</u>
Total net assets	\$ <u><u>636,029</u></u>	<u><u>718,989</u></u>

At the end to the current fiscal year, the District is able to report positive balances in all categories of net assets.

Capital Asset

The Hickman County Emergency Communications District's investment in capital assets from its activities at June 30, 2011, amounts to \$118,642 (net of accumulated depreciation). This investment in capital assets is in communications equipment.

Hickman County Emergency Communications District's Capital Assets

	<u>2010</u>	<u>2011</u>
Communications equipment	477,293	544,193
Furniture and equipment	2,469	2,469
Vehicle	12,800	12,800
Less accumulated depreciation	<u>(359,523)</u>	<u>(440,820)</u>
Net Capital Assets	\$ <u>133,039</u>	<u>118,642</u>

Additional information on the Hickman County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Misty Aydelott
Hickman County Emergency Communications District

FINANCIAL STATEMENTS

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Assets

June 30, 2011

<u>Assets</u>	<u>Account Number</u>	
Current Assets:		
Cash and cash equivalents	1001	\$383,993
Certificate of deposits	1001	200,000
Accounts receivable	1004	20,555
Total Current Assets		<u>604,548</u>
Capital Assets:		
Communication equipment	1308	544,193
Furniture and equipment	1304	2,469
Vehicle	1310	12,800
Less accumulated depreciation - comm.	1309	(425,551)
Less accumulated depreciation - furn	1305	(2,469)
Less accumulated depreciation - veh	1311	(12,800)
Total Capital Assets, Net		<u>118,642</u>
 Total Assets		 <u><u>\$723,190</u></u>
-		
Current Liabilities		
Accounts payable	2001	4,201
Total Current Liabilities		<u>4,201</u>
Total liabilities		<u>4,201</u>
Net Assets:		
Unrestricted	2320	600,347
Invested in capital assets	2301	118,642
Total Net assets		<u>718,989</u>

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

For the Year Ended June 30, 2011

	Account Number	
Operating Revenues:		
Emergency Telephone Service Charge	3001	\$71,111
State Emergency Communications Board	3002	200,981
Total Operating Revenues		<u>272,092</u>
Operating Expenses:		
Salaries and payroll taxes	4000	42,198
Contract services	4200	48,120
Fees and licenses	4413	3,082
Depreciation	4500	81,297
Rent	4227	2,000
Training and travel	4418	7,803
Supplies	4305	3,303
Insurance	4409	486
Professional services	4203	7,825
Utilities	4307	4,228
Repair and maintenance	4232	9,067
Miscellaneous	4499	35
Total Operating Expenses		<u>209,444</u>
Operating income (loss)		<u>62,648</u>
Nonoperating Revenues (Expenses):		
Operating Contributions -State Emergency Communications	5005	18,000
Interest income	5002	2,312
Total Nonoperating Revenues (Expenses)		<u>20,312</u>
Net change in net assets		82,960
Net assets, June 30, 2010		<u>636,029</u>
Net assets, June 30, 2011		<u><u>\$718,989</u></u>

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

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2011

Cash Flows from Operating Activities:	
Cash received from customers	\$258,061
Cash paid to employees	(42,198)
Cash paid to suppliers	(63,973)
Net Cash Provided by Operating Activities	<u>151,890</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(66,900)
Net Cash Provided by Capital and Related Financing Activities	<u>(66,900)</u>
Cash Flows from Investing Activities:	
Interest received	2,312
Net Cash From Investing Activities	<u>2,312</u>
Net Increase (decrease) in Cash	87,302
Cash and Cash Equivalents, June 30, 2010	<u>296,691</u>
Cash and Cash Equivalents, June 30, 2011	<u><u>\$383,993</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$62,648
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	81,297
Operating contributions	18,000
Change in assets (increase) decrease:	
Accounts receivable	(14,031)
Change in liabilities increase (decrease):	
Accounts payable	<u>3,976</u>
Net Cash Provided by Operating Activities	<u><u>\$151,890</u></u>

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

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Hickman County Emergency Communications District (District) was created as a public corporation under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984. The District was formed to establish local emergency telephone service and a primary emergency number for the residents of Hickman County, Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County. The Board consists of nine members (seven voting and two non-voting). The District is considered a political subdivision and is exempt from Federal and State income taxes. The District is considered a component unit of Hickman County. The County appoints the Board of Directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Hickman County Commission indirectly imposes its will on the District.

Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

Capital Assets

Capital assets of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant and equipment in service is from 5 to 40 years. The District does capitalize interest incurred on construction projects. No such amounts have been capitalized. Capital assets are defined by the District as assets with an individual cost of \$5,000 and an estimated useful life in excess of five years.

Estimates

The 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Operating Revenues and Operating Expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgeting

The District's annual budget is required by state law. The District's Board of Directors formally approve the budget. The budget is adopted on a basis consistent with generally accepted accounting principles except that depreciation is not budgeted, and the budgeted costs of fixed assets purchased and debt service are included as expenditures. The budget may be amended by the Board as conditions warrant during the year.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. The District has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

	Balance 6-30-10	Additions	Disposals	Balance 6-30-11
Operating system	\$ 194,437	-	-	194,437
Vehicles	12,800	-	-	12,800
Furniture and fixtures	2,469	-	-	2,469
Communications equipment	<u>282,856</u>	<u>66,900</u>	<u>-</u>	<u>349,756</u>
	492,562	66,900	-	559,462
Less accumulated depreciation	<u>(359,523)</u>			<u>(440,820)</u>
Utility plant - net	<u>\$133,039</u>			<u>118,642</u>

All assets are being depreciated. Accumulated depreciation for the operating system was \$138,884, vehicles \$12,800, furniture and fixtures \$2,469 and communications equipment \$286,667. Depreciation expense for the year was \$81,297.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 4 - OPERATING LEASES

The District leases communications equipment from AT&T. The lease is an annual renewable, and lease payments for the year ended, amounted to \$44,160. The District also leases office space from the Town of Centerville under a two-year renewable lease. Annual lease payments under this lease totaled \$2,000 for the current year.

Note 5 - 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. The District purchases commercial financial bonded insurance for its Treasurer and Chairman. For all other risks, the District is included in the liability insurance of the Hickman County government. The coverage also includes fire and extended insurance for damages or loss which might occur to the District's equipment. There have been no claims during the last three years.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses
Budget and Actual

For the Year Ended June 30, 2011

	Account Number	Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:				
Emergency Telephone Service Charge	3001	\$83,000	\$71,111	(\$11,889)
State Emergency Communications Board	3002	25,000	200,981	175,981
Total Operating Revenues		<u>108,000</u>	<u>272,092</u>	<u>164,092</u>
Operating Expenses:				
Salaries and payroll taxes	4000	40,957	42,198	(1,241)
Contract services	4200	6,200	48,120	(41,920)
Fees and licenses	4413	3,000	3,082	(82)
Depreciation	4500	0	81,297	(81,297)
Rent	4227	3,600	2,000	1,600
Training and travel	4418	15,400	7,803	7,597
Supplies	4305	9,500	3,303	6,197
Insurance	4409	500	486	14
Professional services	4203	500	7,825	(7,325)
Utilities	4307	3,000	4,228	(1,228)
Repair and maintenance	4232	159,696	9,067	150,629
Miscellaneous	4499	1,900	35	1,865
Total Operating Expenses		<u>244,253</u>	<u>209,444</u>	<u>34,809</u>
Operating income (loss)		<u>(136,253)</u>	<u>62,648</u>	<u>198,901</u>
Nonoperating Revenues (Expenses):				
Operating Contributions -State Emergency Communications	3003	136,000	18,000	(118,000)
Interest income	5002	395	2,312	1,917
Total Nonoperating Revenues (Expenses)		<u>136,395</u>	<u>20,312</u>	<u>(116,083)</u>
Net change in net assets		142	82,960	82,818

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2011

<u>Type of Customer</u>	<u>Rate</u>
Residential customers	\$ 0.65
Business customers	\$ 1.50

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2011

All Telephone Companies

Residential customers	3,976
Business customers	714

HICKMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2011

State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2010	Cash Receipts	Other Receipts	Cash Expenditures	Receivable (Deferred) Balance June 30, 2011
N/A	Dispatcher training	State of Tennessee Commerce and Insurance	\$0	8,000	0	8,000	0
N/A	GIS	State of Tennessee Commerce and Insurance	\$0	10,000	0	10,000	0
Totals			\$0	18,000	0	18,000	0

State Program:

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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

Board of Directors
Hickman County Emergency Communications District
Centerville, Tennessee

I have audited the financial statements (as listed in the table of contents) of Hickman County Emergency Communications District, a component unit of Hickman County, Tennessee for the year ending June 30, 2011, and have issued my report thereon dated November 30, 2011. I conducted the audit in accordance with generally accepted auditing standards of 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, I considered the Hickman County Emergency Communications District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an 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 District's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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 discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (2010-1 Lack of segregation of Duties).

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. I consider the deficiency described below (2010-1) to be a material weakness.

The material weakness is as follows:

2010-1 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one person. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hickman County Emergency Communications District's response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the Hickman County Emergency Communications District in a separate letter dated November 30, 2011.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

John R. Poole, CPA

November 30, 2011