

**HARDEMAN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
(A Component Unit of Hardeman County, Tennessee)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Schedule of Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 7
Statement of Net Assets	8
Statement of Revenues, Expenses and Change in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 16
Required Supplemental Information:	
Pension Data	17
Other Supplemental Information:	
Budgetary Comparison Schedule	18 - 19
Schedule of State Awards	20
Schedule of Information Required by the Tennessee Emergency Communications Board-Unaudited	21
INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23

INTRODUCTORY SECTION

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF OFFICIALS

JUNE 30, 2009

<u>Official</u>	<u>Position</u>
Jerry McCord	Chairman
Betty Nuckolls	Vice-Chairman
Mary Powell	Secretary
Tony Kirk	Treasurer
Virlene Brown	Board Member
Carl Gibson	Board Member
Terry King	Board Member
Bobby Naylor	Board Member
WS Thomas	Board Member

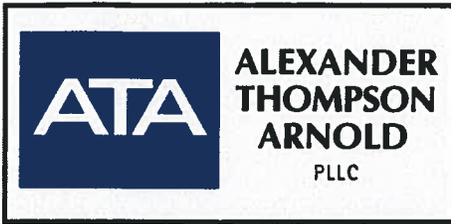
Management Official

Mary Henderson, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold, PLLC
Jackson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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Jackson, TN 38305

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AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

We have audited the accompanying financial statements of Hardeman County Emergency Communications District (a component unit of Hardeman County, Tennessee) (the District) as of and for the year ended June 30, 2009, which comprise the District's basic financial statements as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009, and the respective changes in financial position and 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*, we have also issued our report dated August 31, 2009, on our consideration of the District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

The management's discussion and analysis on pages 4 through 7 and the pension data on page 17 are not a required part of the accompanying financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introduction section and accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the District. The other supplementary information, except that which has been marked "unaudited," has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the schedule of information required by Tennessee Emergency Communications Board has not been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, accordingly, we express no opinion of them.



Certified Public Accountants

Jackson, Tennessee
August 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hardeman 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, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$594 thousand and exceeded liabilities in the amount of \$591 thousand (i.e. net assets).
- Net assets increased \$104 thousand during the current year due to additional funding received from the State.
- During fiscal year 2009, the District answered 13,568 calls and approximately 11,893 calls during 2008.
- Operating revenues were \$256 thousand, a decrease from year 2008 in the amount of \$8 thousand or 2.91%.
- Operating expenses were \$250 thousand, an increase over year 2008 in the amount of \$16 thousand or 6.69%.
- The operating income for the year was \$7 thousand as compared to \$30 thousand during the 2008 fiscal year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The Comprehensive Annual Financial Report is made up of four sections: 1) the introductory section, 2) the financial section, 3) the statistical section, and 4) the internal control section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the supplementary information. The statistical section includes selected financial and operational information. The internal control section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the District on a full accrual historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the 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 the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provides required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Income and Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District, and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$104 thousand and increased \$50 thousand for the fiscal years ended June 30, 2009 and 2008, respectively. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Current and other assets	\$ 468,931	\$ 339,589	\$ 129,342	38.09%
Capital assets	125,540	154,033	(28,493)	-18.50%
Total assets	<u>\$ 594,471</u>	<u>\$ 493,622</u>	<u>\$ 100,849</u>	<u>20.43%</u>
Total liabilities	<u>\$ 3,352</u>	<u>\$ 6,664</u>	<u>\$ (3,312)</u>	<u>-49.70%</u>
Net assets	<u>\$ 591,119</u>	<u>\$ 486,958</u>	<u>\$ 104,161</u>	<u>21.39%</u>

The increase in current and other assets was due to an increase in the cash balance and the receipt of approximately \$81k under the Essential and Necessary Equipment Reimbursement Program with the State of Tennessee. The decrease in capital assets was due to depreciation.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income and Changes in Net Assets for the years.

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Operating revenues	\$ 256,842	\$ 264,536	\$ (7,694)	-2.91%
Non-operating revenues	97,018	19,543	77,475	396.43%
Total revenues	353,860	284,079	69,781	24.56%
Salaries and wages	74,911	77,521	(2,610)	-3.37%
Employee benefits	18,161	18,254	(93)	-0.51%
Contracted services	101,201	80,580	20,621	25.59%
Supplies and materials	9,576	8,610	966	11.22%
Other charges	16,511	12,782	3,729	29.17%
Depreciation	29,339	36,295	(6,956)	-19.17%
Total expenses	<u>249,699</u>	<u>234,042</u>	<u>15,657</u>	<u>6.69%</u>
Change in net assets	104,161	50,037	54,124	108.17%
Beginning net assets	486,958	436,921	50,037	11.45%
Ending net assets	<u>\$ 591,119</u>	<u>\$ 486,958</u>	<u>\$ 104,161</u>	<u>21.39%</u>

Operating revenues showed a 2.91% decrease from 2008 to 2009. This was due to landline and wireless fees being down from the previous year. Expenses increased from 2008 to 2009. This was due to the District paying the police department \$20 thousand for dispatch salaries. Ending net assets showed an increase of 21.39% over the 2 year period.

CAPITAL ASSETS

At the end of fiscal year 2009, the system had \$126 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes an office building, automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall decrease (net of increases and decreases) of \$28 thousand or 18.50% under last year.

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2009. These changes are presented in detail in Note 4 to the financial statements.

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Office building	\$ 43,589	\$ 46,011	\$ (2,422)	-5.26%
Furniture and fixtures	15,866	20,290	(4,424)	-21.80%
Office equipment	2,206	3,055	(849)	-27.79%
Communication equipment	57,712	75,551	(17,839)	-23.61%
Vehicles	6,167	9,126	(2,959)	-32.42%
Total liabilities	\$ 125,540	\$ 154,033	\$ (28,493)	-18.50%

The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of cell phones, the District expects shared wireless revenue to continue to increase in future years. The landline funds should also continue to increase. The District should continue to receive operational funding. The board has also approved \$25,000 to be paid to the police department for dispatch salaries.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Hardeman County Emergency Communications District, 120 N. Washington, Bolivar, TN 38008.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 361,751
Investments	56,910
Accounts receivable	9,102
Due from the State of Tennessee	39,238
Accrued interest receivable	100
Prepaid expenses	<u>1,830</u>

<u>Total Current Assets</u>	<u>468,931</u>
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CAPITAL ASSETS

Office building	72,671
Furniture and fixtures	39,050
Office equipment	22,245
Communications equipment	188,970
Vehicles	<u>14,799</u>
Total capital assets	337,735
Less - accumulated depreciation	<u>(212,195)</u>

<u>Net Capital Assets</u>	<u>125,540</u>
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<u>Total Assets</u>	<u>594,471</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	710
Compensated absences payable	<u>2,642</u>

<u>Total Liabilities</u>	<u>3,352</u>
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NET ASSETS

Investment in capital assets	125,540
Unrestricted net assets	<u>465,579</u>

<u>Total Net Assets</u>	<u>\$ 591,119</u>
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The accompanying notes are an integral part of the financial statements.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES	
Emergency telephone service charge	\$ 109,512
State emergency communications board - shared wireless charge	61,161
State emergency communications board - operational funding	<u>86,169</u>
<u>Total Operating Revenues</u>	<u>256,842</u>
OPERATING EXPENSES	
Salaries and wages	74,911
Employee benefits	18,161
Contracted services	101,201
Supplies and materials	9,576
Other charges	16,511
Depreciation	<u>29,339</u>
<u>Total Operating Expenses</u>	<u>249,699</u>
<u>Operating Income (Loss)</u>	7,143
NON-OPERATING REVENUES (EXPENSES)	
Interest income	6,167
State emergency communications board-grants and reimbursements	<u>90,851</u>
<u>Total Non-operating Revenues</u>	<u>97,018</u>
<u>Change in Net Assets</u>	104,161
NET ASSETS, JULY 1, 2008	<u>486,958</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 591,119</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash received from telephone companies and state	\$ 229,073
Cash paid to suppliers of goods and services	(128,992)
Cash paid for employees services	(95,345)
<u>Net Cash Provided by Operating Activities</u>	<u>4,736</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of fixed assets	(846)
State reimbursement for controller	80,851
State grant for GIS mapping	10,000
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>90,005</u>

Cash Flows from Investing Activities:

Purchase of investments	(56,910)
Sale of investments	52,153
Interest on investments	8,786
<u>Net Cash Provided by Investing Activities</u>	<u>4,029</u>

<u>Net Increase in Cash and Cash Equivalents</u>	<u>98,770</u>
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CASH AND CASH EQUIVALENTS, JULY 1, 2008	<u>262,981</u>
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CASH AND CASH EQUIVALENTS, JUNE 30, 2009	<u>\$ 361,751</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 7,143
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	29,339
Changes in assets and liabilities:	
Accounts receivable	(27,809)
Prepays	(625)
Accounts payable	(1,039)
Compensated absences and payroll liabilities	(2,273)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 4,736</u>

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - ORGANIZATION AND REPORTING ENTITY

The Hardeman County Emergency Communications District (a component unit of Hardeman County, Tennessee) (the District) was established by voter referendum in November 1988, and the assessment of service fees began November 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Hardeman County, Tennessee.

The District is considered a component unit of Hardeman County because the Board of Directors of the District is appointed by the County Commission; the County Commission has the authority to adjust the rates charged by the District; and the County Commission must approve any debt issued by the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*, *Financial Accounting Standards Board (FASB) Statements and Interpretations*, *Accounting Principle Board (APB) Opinions*, and *Accounting Research Bulletins (ARBs)*, issued on or before November 30, 1989. After this date the District has elected to apply only the GASB pronouncements. The following is a summary of the more significant accounting policies.

A. Basis of Accounting:

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their statement of position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Cash and Investments:**

Cash and cash equivalents include amounts in demand deposits as well as deposits with original maturities of three months or less.

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool and certificates of deposit.

C. Accounts Receivable and Credit Risk:

Accounts receivable represents amounts due from AT&T, Access, Z-Tel Communications, Xspedius LLC, MCI Worldcom, and state wireless charges.

D. Capital Assets:

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred.

Depreciation has been provided over the estimated useful lives of the fixed assets by the straight-line method. The estimated useful lives are as follows:

Buildings	30 Years
Equipment, Furniture & Fixtures	5 to 7 years
Vehicles	5 years

E. Budgetary Compliance

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communication Board and the Tennessee Code Annotated § 7-86-120. This budget is adopted on an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for fixed assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

F. Compensated Absences:

The District allows full-time employees 8 hours of vacation per month for 1-10 years of service, and 12 hours per month for 10-20 years of service. The vacation days will have monetary value, and may be accrued; however, maximum accrual is 24 days for 1-10 years of service and 30 days for 10-20 years of service. A liability is reflected in the financial statements for \$2,642.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**F. Compensated Absences (cont.)**

The District allows employees to accrue 8 hours per month sick leave. These days can be accrued; however, they have no monetary value except for the purpose granted, or at time of retirement. Therefore, no liability is reflected in the financial statements.

NOTE 3 – CASH AND INVESTMENTS

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, the entire cash balance of the District's bank balance was covered by federal depository insurance.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the period from July 1, 2008 to June 30, 2009 were:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated				
Office building	\$ 72,671	\$ -	\$ -	\$ 72,671
Furniture and fixtures	39,050	-	-	39,050
Office equipment	22,177	467	399	22,245
Communications equipment	188,591	379	-	188,970
Vehicles	14,799	-	-	14,799
Total capital assets being depreciated	<u>337,288</u>	<u>846</u>	<u>399</u>	<u>337,735</u>
Less accumulated depreciation				
Office building	26,660	2,422	-	29,082
Furniture and fixtures	18,760	4,424	-	23,184
Office equipment	19,122	1,316	399	20,039
Communications equipment	113,040	18,218	-	131,258
Vehicles	5,673	2,959	-	8,632
Total accumulated depreciation	<u>183,255</u>	<u>29,339</u>	<u>399</u>	<u>212,195</u>
Total capital assets, net	<u>\$ 154,033</u>	<u>\$ (28,493)</u>	<u>\$ -</u>	<u>\$ 125,540</u>

NOTE 5 - COMMITMENTS

The District has contracted with AT&T for the lease of equipment and the provision of services related to the operation of the system. The contract is an operating lease and is cancelable on 30 days notice by any party. The monthly obligation under the contract is \$5,029.

NOTE 6 - FUNDING SOURCES

Funds for operations are provided by monthly fees from service users in Hardeman County and by the Tennessee Emergency Communications Board. Service suppliers in Hardeman County collect the service fees and remit the funds to the District. The service suppliers retain one percent of the collections as an administrative fee.

The State remits a percentage of its shared wireless charges based on the District's population.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 7 -RETIREMENT PLAN

Plan Description: Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://tn.gov/treasury/tcrs>.

Funding Policy: The District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 14.08% of annual covered payroll. The contribution requirement of plan members are set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost: For the year ending June 30, 2009, the District's annual pension cost of \$10,867 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 7 -RETIREMENT PLAN (Cont.)

Trend Information			
Fiscal Year	Annual Pension Cost	Percentage of APC	Net Pension
<u>Ending</u>	<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
June 30, 2009	\$ 10,867	100%	\$ -
June 30, 2008	\$ 10,592	100%	\$ -
June 30, 2007	\$ 10,164	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.83% percent funded. The actuarial accrued liability for benefits was \$137 million, and the actuarial value of assets was \$108 million, resulting in a unfunded actuarial accrued liability (UAAL) of \$29 million, and the ratio of the UAAL to the covered payroll was 39.73% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 108,000	\$ 137,000	\$ 29,000	78.83%	\$ 73,000	39.73%

NOTE 8 -RISK MANAGEMENT

The District is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2009, the District purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

REQUIRED SUPPLEMENTAL INFORMATION

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PENSION DATA

JUNE 30, 2009

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2007	\$ 108,000	\$ 137,000	\$ 29,000	78.83%	\$ 73,000	39.73%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

See independent auditor's report.

SUPPLEMENTAL INFORMATION

The supplemental information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Amended Budget	Actual	Variance- Over (Under)
REVENUES				
Emergency telephone service charge	\$ 115,000	\$ 105,000	\$ 110,343	\$ 5,343
State emergency communications board	50,000	47,000	46,883	(117)
State emergency communications board- operational funding	<u>86,250</u>	<u>86,169</u>	<u>71,807</u>	<u>(14,362)</u>
Total Revenues	<u>251,250</u>	<u>238,169</u>	<u>229,033</u>	<u>(9,136)</u>
EXPENDITURES				
Salaries and Wages				
Salary director	45,293	40,387	39,823	564
Salary administrative personnel	33,366	33,366	31,675	1,691
Payroll expenses	780	5,687	5,686	1
Employee Benefits				
Social security	9,754	9,754	4,785	4,969
Medicare	2,281	2,281	1,119	1,162
Medical insurance	200	200	147	53
Dental insurance	520	536	535	1
Disability insurance	1,500	1,500	706	794
Retirement contributions	11,075	11,075	10,867	208
Contracted Services				
Addressing/Mapping expense	10,000	10,000	10,000	-
Advertising	1,200	1,200	544	656
Audit service	3,500	3,500	3,000	500
Accounting	500	500	-	500
Data processing services	750	750	659	91
Fees paid to service providers	21,000	21,000	18,480	2,520
Impact payments	20,000	20,000	20,000	-
Janitorial Services	1,300	1,300	1,300	-
Legal services	1,000	1,000	450	550
Maintenance agreement	450	450	-	450
Mapping/Data base consult	2,500	2,500	2,429	71
Pest control	250	250	200	50
Communications equipment rental	42,000	42,000	41,868	132
Repair and maintenance				
Communications equipment	1,500	1,500	696	804
Buildings and facilities	5,000	5,000	1,472	3,528
Office equipment	500	500	-	500
Vehicles	5,000	3,000	217	2,783
Fuel & Vehicles		2,000	977	1,023
Supplies and Materials				
Office supplies	2,000	2,000	1,997	3
Data processing supplies	500	500	401	99
Postage	325	325	228	97
Small equipment purchases	1,000	1,000	596	404
Utilities	6,100	6,100	2,521	3,579
Telephone	5,300	5,300	4,595	705
Cell phones	750	750	83	667

See the independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Other Charges				
Board meeting expenses	2,000	2,000	488	1,512
Dues and memberships	2,000	2,000	1,254	746
Insurance				
Workers' comp	725	989	989	-
Liability	1,500	1,500	829	671
Building and contents	2,700	2,700	2,581	119
Equipment	2,200	2,200	-	2,200
Vehicles	1,900	1,900	1,212	688
Premiums on surety bonds	600	950	908	42
Public education	500	500	500	-
Training expenses	-	-	-	-
Travel expenses	8,000	8,000	6,390	1,610
Internet charges	2,100	2,100	1,935	165
Capital expenditures	5,000	5,000	-	5,000
<u>Total Expenditures</u>	<u>\$ 266,419</u>	<u>\$ 267,050</u>	<u>\$ 225,142</u>	<u>\$ (41,908)</u>
<u>Operating Income - Budgetary Basis</u>	<u>\$ (15,169)</u>	<u>\$ (28,881)</u>	<u>\$ 3,891</u>	<u>\$ 32,772</u>
OTHER REVENUES (EXPENDITURES)				
Interest income	\$ 3,000	\$ 3,000	\$ 8,786	\$ 5,786
State emergency communications board- grants and reimbursements	10,000	90,851	90,851	-
	<u>\$ 13,000</u>	<u>\$ 93,851</u>	<u>\$ 99,638</u>	<u>\$ 5,785</u>
<u>Change in Net Assets - Budgetary Basis</u>	<u>\$ (2,169)</u>	<u>\$ 64,970</u>	<u>\$ 103,528</u>	<u>\$ 38,558</u>
RECONCILIATION TO GAAP				
Adjustments For:				
Revenues to accrual basis			27,809	
Expenses to accrual basis			3,937	
Depreciation expense			(29,339)	
Reclassification of capital expenditures to fixed assets			846	
Interest accrual			(2,620)	
<u>Change in Net Assets</u>			<u>\$ 104,161</u>	

See the independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF STATE AWARDS

JUNE 30, 2009

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2009</u>
Tennessee Emergency Communications Board GIS Maintenance Grant	Z-08-211937	\$ -	\$ 10,000	\$ 10,000	\$ -

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF INFORMATION REQUIRED BY
TENNESSEE EMERGENCY COMMUNICATIONS BOARD-UNAUDITED

JUNE 30, 2009

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

B. The address of the PSAP is:

Police Department
211 West Jackson
Bolivar, TN 38008

C. The PSAP uses a Zetron system and an off-premise AT&T database.

D. The Director of the District is:

Mary Henderson
120 N. Washington
Bolivar, TN 38008
Telephone: (731) 658-3249
Fax: (731) 658-7068

E. The Chairman of the District is:

Jerry McCord
P. O. Box 5
Pocahontas, TN 38061
Telephone: (731) 376-0512

INTERNAL CONTROL AND COMPLIANCE SECTION



227 Oil Well Road
Jackson, TN 38305

Telephone:(731) 427-8571
Fax: (731) 424-5701

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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***

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

We have audited the financial statements of Hardeman County Emergency Communications District (a component unit of Hardeman County, Tennessee) (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These financial statements present only the Hardeman County Emergency Communications District and are not intended to present fairly the financial position of Hardeman County, Tennessee, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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.

A material weakness is a significant deficiency, or combination 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

Jackson, Tennessee
August 19, 2009