

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT

**INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2010**

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2010

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HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2010

David Alexander - Director

Melvin Martin - Chairman

Donald Derr - Secretary

Jim Berry

Paul Blount

Sammy Davidson

Joyce England

Wally Hamilton

Jamie Lee Johnson

Glen Spencer

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Our discussion and analysis of Hardin County Emergency Communication District's (the District) financial performance will offer readers of the District's financial statements a narrative overview and review of the financial activities of the District for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets (on pages 7 through 8) provide information about the activities of the District's finances.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 10 - 15.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 16-17 of this report.

Supplemental information concerning the District is required by the Tennessee Emergency Communication Board. This other supplemental information can be found on pages 18 – 19 of this report.

Comparative Data

Statement of Net Assets

	June 30, 2010	Percent of Total	June 30, 2009	Percent of Total
Current and other assets	\$ 558,554	63.85%	\$ 647,243	85.74%
Capital assets	316,196	36.15%	107,676	14.26%
Total assets	<u>874,750</u>	<u>100.00%</u>	<u>754,919</u>	<u>100.00%</u>
Current liabilities	92,607	10.59%	10,242	1.36%
Total liabilities	<u>92,607</u>	<u>10.59%</u>	<u>10,242</u>	<u>1.36%</u>
Net assets				
Invested in capital assets	316,196	36.15%	107,676	14.26%
Unrestricted	465,947	53.27%	637,001	84.38%
Total net assets	<u>\$ 782,143</u>	<u>89.41%</u>	<u>\$ 744,677</u>	<u>98.64%</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The changes in the District's net assets are described below:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Revenues		
Operating revenues	\$ 643,808	\$ 284,462
Expenses		
Salaries and Wages	369,240	20,103
Employee Benefits	92,417	3,101
Contracted services	52,224	113,917
Supplies and materials	31,806	7,670
Other charges	65,191	5,310
Depreciation	23,967	37,849
Total expenses	<u>634,845</u>	<u>187,950</u>
Operating income (loss)	8,963	96,512
Nonoperating revenue (expenses)	<u>28,503</u>	<u>4,724</u>
Change in net assets	37,466	101,236
Net assets - beginning of year	<u>744,677</u>	<u>643,441</u>
Net assets - end of year	<u>\$ 782,143</u>	<u>\$ 744,677</u>

The District had a profit of \$37,466 compared to a profit in the prior year of \$101,236. This current year decrease in profit was mainly due to losses incurred from a third-party fraud. In the current year, the District assumed all payroll and human resource responsibilities in addition to the City and County remitting funds to support these operational costs. This differs from the prior year when the City of Savannah handled payroll and human resource responsibilities. During that year, the District and County remitted funds to the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2010, the District had \$316,196 invested in a broad range of capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital additions of \$232,487 consisted of the purchase of land and architectural costs for the design of a new building. There were no capital asset disposals in the current year. Accumulated depreciation increased by \$23,967. Additional information on capital assets is in Note 8.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Debt

At year-end, the District had no debt. However, the District received approval in July 2010 to issue Emergency Communications District Revenue Bonds, Series 2010 not to exceed \$1,275,000 for the construction of a new facility.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The District is dependent on telephone service charges collected by various phone companies and remitted to the District as well as operating grants and capital grants from the State Emergency Communications Board.

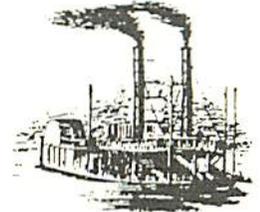
A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$831,435 (including grants of \$60,000 which will be used to help pay operational expenses) and expenses of \$831,435.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 465 Main Street, Savannah, Tennessee.

David Alexander
Director

WILLIAMS, JERROLDs, GODWIN & NICHOLS, PLLC
Certified Public Accountants



408 Main Street, Savannah, Tennessee 38372

Phone (731) 925-6547 Fax (731) 925-9524

Independent Auditors' Report

Board of Directors
Hardin County Emergency Communication District
Savannah, Tennessee

We have audited the accompanying financial statements of Hardin County Emergency Communication District (the District), a component unit of Hardin County, Tennessee, as listed in the table of contents, as of and for the years ended June 30, 2010. 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 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. 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, 2010, and the changes in financial position and cash flows thereof 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 February 11, 2011, 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 18 – 19) are presented for purposes of additional analysis and are not required parts of the financial statements. The supplemental 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Williams, Jerrolds, Godwin & Nichols, PLLC

February 11, 2011

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 223,207
Investments	275,215
Accounts receivable	<u>60,132</u>

TOTAL CURRENT ASSETS 558,554

FIXED ASSETS

Land	127,150
Building improvements	43,985
Buildings	60,000
Equipment - capital lease	339,029
Equipment and software	264,547
Construction in progress	45,337
Vehicles	25,196
Maps	<u>176,904</u>
	1,082,148
LESS: accumulated depreciation	<u>(765,952)</u>

NET FIXED ASSETS 316,196

TOTAL ASSETS \$ 874,750

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 56,395
Accrued expenses	<u>36,212</u>

TOTAL CURRENT LIABILITIES 92,607

NET ASSETS

Invested in capital assets	316,196
Unrestricted	<u>465,947</u>

TOTAL NET ASSETS 782,143

TOTAL LIABILITIES AND NET ASSETS \$ 874,750

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES

Emergency Telephone Service Charges	\$ 102,400
State Emergency Communication Board - shared wireless charges	64,748
State Emergency Communication Board - operational funding	114,480
Dispatching revenue	<u>362,180</u>

TOTAL OPERATING REVENUES 643,808

OPERATING EXPENSES

Salaries and Wages	369,240
Employee Benefits	92,417
Contracted Services	52,224
Supplies and Materials	31,806
Other Charges	65,191
Depreciation	<u>23,967</u>

TOTAL OPERATING EXPENSES 634,845

OPERATING INCOME (LOSS) 8,963

NONOPERATING REVENUES (EXPENSES)

Investment Income	4,056
Interest Income	3,494
TECB - reimbursements and grants	20,503
Rental income	<u>450</u>

TOTAL NONOPERATING REVENUES (EXPENSES) 28,503

INCREASE IN NET ASSETS 37,466

NET ASSETS - BEGINNING OF YEAR 744,677

NET ASSETS - END OF YEAR \$ 782,143

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 632,479
Payments to suppliers	(102,024)
Payments to employees	(426,489)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>103,966</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/reimbursements TECB	<u>20,503</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(232,487)</u>
 INVESTING ACTIVITIES	
Interest income	3,494
Rental income	450
CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,944</u>
 DECREASE IN CASH	(104,074)
 CASH - BEGINNING OF PERIOD	<u>327,281</u>
 CASH - END OF PERIOD	<u>\$ 223,207</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 8,963
Adjustments to derive cash effect:	
Depreciation	23,967
Accounts receivable	(11,329)
Accrued expenses	35,168
Accounts payable	47,197
CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 103,966</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. GENERAL INFORMATION

Component unit

Hardin County Emergency Communication District (the District) provides 911 emergency assistance to persons living in Hardin County. The District is a component unit of Hardin County. Accordingly, this financial data is incorporated into the County's financial statements. Board members are appointed by the County Mayor. Additionally, any bonded indebtedness by the District is subject to the approval of the Hardin County Commission. Hardin County and the cities of Savannah, Saltillo, and Crump provide funding for the dispatchers' salaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GASB conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement 20 - "Election of a Reporting Method" - required the District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of the FASB regardless of the issue date for proprietary type funds. The District elected to adopt only the provisions of the FASB prior to 1989.

Measurement focus and basis of accounting

The District uses the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Capital Assets

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives.

Vacation Leave

Vacation leave time for employees of the District is earned each pay period. Vacation time can be carried over from one year to the next. Any outstanding balance is paid to the employee upon separation from service.

Operating revenues and expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

Fund Accounting

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. REVENUES

Revenues are derived from telephone customers in the area served by the District. Telephone companies collect the fees on the monthly telephone bills and remit them to the District.

4. RISK MANAGEMENT

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims have not exceeded this commercial coverage in any of the past

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

5. CONTRACT AGREEMENT

In 1992, the District entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the Board of the District is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed in 2009 that the District would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The City and County have agreed to remitted excess funds to the District cover various operating expenses. This year the City and County remitted \$362,180 to the District.

6. DEPOSITS AND INVESTMENTS

The District's investment policies are governed by State statute. Included in permissible investments are direct obligations of the U. S. Government and agency securities, certificates of deposit and savings accounts. The District has no policy that further limits allowable investments. Investments consist of a certificate of deposit, the fair value of which was comparable to the carrying value.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, District deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral held by the pledging financial institution's agent in the entity's name.

7. PENSION 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 benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become 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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

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, 2010 was 11.45% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, the District's annual pension cost of \$23,447 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 entry age 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 total investments 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 0 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information			
Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 23,447	100.00%	\$ -
June 30, 2009	\$ -	100.00%	\$ -
June 30, 2008	\$ -	100.00%	\$ -

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$0.00 million, and the actuarial value of assets was \$0.00 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.00 million, and the ratio of the UAAL to the covered payroll was 0.00% 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.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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, 2009	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
July 1, 2007	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 7/1/2009	Additions	Retirements	Balance 6/30/2010
Capital assets not being depreciated:				
Land	\$ -	\$ 127,150	\$ -	\$ 127,150
Construction in progress	-	45,337	-	45,337
Total capital assets not being depreciated	-	172,487	-	172,487
Capital assets being depreciated:				
Buildings and improvements	43,985	-	-	43,985
Buildings	-	60,000	-	60,000
Equipment - capital lease	339,029	-	-	339,029
Equipment and software	264,547	-	-	264,547
Vehicles	25,196	-	-	25,196
Maps	176,904	-	-	176,904
Total capital assets being depreciated	849,661	60,000	-	909,661
Less accumulated depreciation for:				
Buildings and improvements	(12,441)	(1,466)	-	(13,907)
Buildings	-	(1,637)	-	(1,637)
Equipment - capital lease	(333,094)	(5,935)	-	(339,029)
Equipment and software	(250,359)	(3,058)	-	(253,417)
Vehicles	(25,196)	-	-	(25,196)
Maps	(120,895)	(11,871)	-	(132,766)
Total accumulated depreciation	(741,985)	(23,967)	-	(765,952)
Total capital assets, being depreciated, net	107,676	36,033	-	143,709
Total capital assets, net	\$ 107,676	\$ 208,520	\$ -	\$ 316,196

Depreciation expense of \$23,967 (\$37,849 in 2009) was recorded by the District.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

9. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local governmental unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

Budget Appropriations

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The District's expenses exceeded appropriations at the line-item level.

10. ESTIMATES AND ASSUMPTIONS

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 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.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2010

Required Supplementary Information

Schedule of Funding Progress for the District

(Dollar amounts in thousands)

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, 2009	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
July 1, 2007	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2010

Schedule of Funding Progress

Information relating to the District's pension can be found in the Notes to Financial Statements at Note 7. The schedule of funding progress is designed to reflect the pension plan's success over time in setting aside assets sufficient to cover its actuarial accrued liability.

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 went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Emergency telephone service charges	\$ 94,000	\$ 102,400	\$ 8,400
State Emergency Communication Board - shared wireless charges	127,000	64,748	(62,252)
State Emergency Communications Board - operational funding	-	114,480	114,480
Dispatching revenue	<u>451,435</u>	<u>362,180</u>	<u>(89,255)</u>
TOTAL OPERATING REVENUES	<u>672,435</u>	<u>643,808</u>	<u>(28,627)</u>
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	42,000	42,634	(634)
Administrative Personnel	41,000	39,042	1,958
Dispatchers	325,000	287,564	37,436
<u>Employee Benefits</u>			
Social Security	26,500	21,106	5,394
Medicare	6,250	4,936	1,314
Dental insurance	4,300	3,044	1,256
Medical insurance	44,000	37,725	6,275
Unemployment compensation	1,000	699	301
Employee medical physicals	500	100	400
Retirement expense	28,000	24,807	3,193
<u>Contracted Services</u>			
Advertising	1,000	265	735
Audit	3,500	3,200	300
Accounting services	1,600	1,464	136
Administrative fees - service charges	12,000	10,385	1,615
Architects	44,000	-	44,000
Engineering service	4,500	-	4,500
Fees paid to service providers	30,000	27,672	2,328
Legal fees	4,500	1,075	3,425
Maintenance and repairs - buildings and facilities	5,000	1,601	3,399
Maintenance and repairs - communications equipment	6,500	5,850	650
Maintenance and repairs - vehicles	5,000	712	4,288
Maintenance and repairs - other	6,000	-	6,000
<u>Supplies and Materials</u>			
Office supplies	6,500	2,042	4,458
Data processing supplies	16,000	12,290	3,710
Postage	150	128	22
Small equipment purchases	3,000	550	2,450
Uniforms and shirts	2,000	1,885	115
Utilities - electric	8,000	5,467	2,533
Utilities - gas	500	54	446
Utilities - telephone	11,000	7,031	3,969
Utilities - cell phones and pagers	3,000	2,359	641
<u>Other Charges</u>			
Board meetings	500	-	500
Building fund	19,710	-	19,710
Dues	225	217	8
Insurance - liability	6,600	3,830	2,770
Insurance - workers comp	2,500	1,384	1,116
Premiums on surety bonds	800	560	240
Service awards	2,400	2,168	232
Training expense	3,000	320	2,680
Travel, entertainment, conventions	3,200	2,523	677
Internet charges	1,200	995	205
Loss from third-party fraud	-	53,194	(53,194)
<u>Depreciation</u>			
Depreciation expense	30,000	23,967	6,033
TOTAL OPERATING EXPENSES	<u>762,435</u>	<u>634,845</u>	<u>127,590</u>
NET OPERATING REVENUE	<u>(90,000)</u>	<u>8,963</u>	<u>98,963</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,000	3,494	1,494
Investment income	-	4,056	4,056
TECB - reimbursements and grants	50,000	20,503	(29,497)
Miscellaneous income	8,000	-	(8,000)
Rental income	-	450	450
NONOPERATING REVENUES (EXPENSES) - NET	<u>60,000</u>	<u>28,503</u>	<u>5,550</u>
CHANGE IN NET ASSETS	<u>(30,000)</u>	<u>37,466</u>	<u>104,513</u>
NET ASSETS - BEGINNING OF YEAR	<u>744,677</u>	<u>744,677</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 714,677</u>	<u>\$ 782,143</u>	<u>\$ 104,513</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

Operating Expenses

Salaries and Wages

Director	\$ 42,634
Administrative Personnel	39,042
Dispatchers	<u>287,564</u>
<u>Total Salaries and Wages</u>	<u>369,240</u>

Employee Benefits

Social Security	21,106
Medicare	4,936
Medical Insurance	37,725
Dental Insurance	3,044
Unemployment Compensation	699
Employee Medical Physicals	100
Retirement Expense	<u>24,807</u>
<u>Total Employee Benefits</u>	<u>92,417</u>

Contracted Services

Advertising	265
Audit Services	3,200
Accounting Services	1,464
Administrative Fees - Service Charges	10,385
Fees Paid to Service Providers	27,672
Legal Fees	1,075
Maintenance and Repairs-Buildings and Facilities	1,601
Maintenance and Repairs-Communications Equipment	5,850
Maintenance and Repairs-Vehicles	<u>712</u>
<u>Total Contracted Services</u>	<u>52,224</u>

Supplies and Materials

Office Supplies	2,042
Data Processing Supplies	12,290
Postage	128
Small Equipment Purchases	550
Uniforms and Shirts	1,885
Utilities-Electric	5,467
Utilities-Gas	54
Utilities-General Telephone	7,031
Utilities-Cell Phones and Pagers	<u>2,359</u>
<u>Total Supplies and Materials</u>	<u>31,806</u>

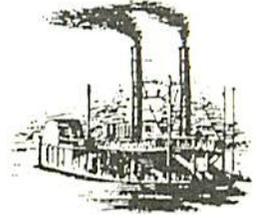
Other Charges

Dues and Memberships	217
Insurance-Workmans Comp	1,384
Insurance-Liability	3,830
Premiums on Surety Bonds	560
Service Awards	2,168
Training Expenses	320
Travel Expenses	2,523
Internet Charges	995
Loss from third-party fraud	<u>53,194</u>
<u>Total Other Charges</u>	<u>65,191</u>

Depreciation

Depreciation	<u>23,967</u>
<u>Total Depreciation</u>	<u>23,967</u>

Total Operating Expenses \$ 634,845



**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
Hardin County Emergency Communication District
Savannah, Tennessee

We have audited the financial statements of Hardin County Emergency Communication District (the District), a component unit of Hardin County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated February 11, 2011. 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.

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, but not for the purpose of expressing an 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 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.

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

Compliance and Other Matters

As 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2010-01 EXPENSES EXCEEDED BUDGET APPROPRIATIONS

The District had expenses that exceed budgeted amounts at line-item levels.

Recommendation: We recommend that expenses be monitored and budget amendments made when necessary.

Management's Response: We agree and will monitor more closely in the future.

DISPOSITION OF PRIOR AUDIT FINDINGS:

2009-01 FINANCIAL STATEMENTS MATERIALLY MISSTATED—Corrected.

The District's response to the findings identified in our audit is described above. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Williams, Jenold, Auduin: Nichols, PLLC

February 11, 2011