

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT

**INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2011**

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2011

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**HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2011**

David Alexander - Director

Melvin Martin - Chairman

Donald Derr - Secretary

Jim Berry

Paul Blount

Sammy Davidson

Wally Hamilton

Jerry Clark

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, 2011

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, 2011. 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 - 16.

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 17-18 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 19 – 21 of this report.

Comparative Data

Statement of Net Assets

	June 30, 2011	Percent of Total	June 30, 2010	Percent of Total
Current and other assets	\$ 521,553	21.27%	\$ 558,554	63.85%
Capital assets	1,930,362	78.73%	316,196	36.15%
Total assets	<u>2,451,915</u>	<u>100.00%</u>	<u>874,750</u>	<u>100.00%</u>
Current liabilities	250,468	10.22%	92,607	10.59%
Long-term liabilities	1,250,000	50.98%	-	0.00%
Total liabilities	<u>1,500,468</u>	<u>61.20%</u>	<u>92,607</u>	<u>10.59%</u>
Net assets				
Invested in capital assets, net of related debt	655,362	26.73%	316,196	36.15%
Restricted net assets for debt service	78,188	3.19%	-	0.00%
Unrestricted	217,897	8.89%	465,947	53.27%
Total net assets	<u>\$ 951,447</u>	<u>38.80%</u>	<u>\$ 782,143</u>	<u>89.41%</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues		
Operating revenues	\$ 705,489	\$ 643,808
Expenses		
Salaries and Wages	332,589	369,240
Employee Benefits	113,961	92,417
Contracted services	94,937	52,224
Supplies and materials	32,428	31,806
Other charges	41,700	65,191
Depreciation	23,115	23,967
Amortization	1,392	-
Total expenses	<u>640,122</u>	<u>634,845</u>
Operating income (loss)	65,367	8,963
Nonoperating revenue (expenses)	<u>103,937</u>	<u>28,503</u>
Change in net assets	169,304	37,466
Net assets - beginning of year	<u>782,143</u>	<u>744,677</u>
Net assets - end of year	<u>\$ 951,447</u>	<u>\$ 782,143</u>

The District had a profit of \$169,304 compared to a profit in the prior year of \$37,466. This current year increase in profit was mainly due to increased operating and nonoperating revenues. The increase in nonoperating revenue was due to the District receiving a reimbursement from the TECB for CAD system, which was capitalized over its useful life.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2011, the District had \$1,930,362 invested in a broad range of capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital additions of \$1,637,282 (\$1,682,619 less \$45,337 prior year construction in progress reclassified to buildings) consisted of the equipment purchases and building construction. There were no capital asset disposals in the current year. Accumulated depreciation increased by \$23,115. Additional information on capital assets is in Note 8.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Debt

During the year, the District issued Emergency Communications District Revenue Bonds, Series 2010 for \$1,275,000. These bonds provided the funding needed for the District to construct a new communication facility. Additional information on long-term debt is in Note 11.

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 \$967,710 (including grants of \$200,000 which will be used to help pay operational expenses) and expenses of \$824,435.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

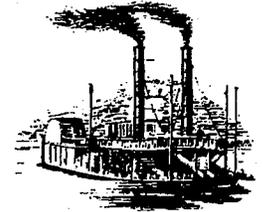
This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 90 Riverside Drive S, Savannah, Tennessee.

David Alexander
Director

WILLIAMS, JERROLD, GODWIN & ASSOCIATES, 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, 2011. 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, 2011, 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 September 26, 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 19 – 21) 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, Jerrold, Godwin & Associates, PLLC

September 26, 2011

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

CURRENT ASSETS	
Cash	\$ 50,651
Investments	282,421
Accounts receivable	10,741
Due from other governments	48,100
Due from Tennessee Emergency Communications Board	<u>11,093</u>
TOTAL CURRENT ASSETS	<u>403,006</u>
RESTRICTED ASSETS	
Cash	<u>78,188</u>
CAPITAL ASSETS	
Land	127,150
Building improvements	43,985
Buildings	1,238,920
Equipment - radio communication	692,335
Equipment and software	370,277
Furniture and fixtures	44,662
Vehicles	25,196
Maps	<u>176,904</u>
	2,719,429
LESS: accumulated depreciation	<u>(789,067)</u>
NET CAPITAL ASSETS	<u>1,930,362</u>
OTHER ASSETS	
Bond issue costs, net of accumulated amortization	<u>40,359</u>
TOTAL ASSETS	<u><u>\$ 2,451,915</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 194,201
Accrued expenses	31,267
Current portion of long-term debt	<u>25,000</u>
TOTAL CURRENT LIABILITIES	<u>250,468</u>
LONG-TERM LIABILITIES	
Bonds payable	<u>1,250,000</u>
NET ASSETS	
Invested in capital assets, net of related debt	655,362
Restricted net assets for debt service	78,188
Unrestricted net assets	<u>217,897</u>
TOTAL NET ASSETS	<u>951,447</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,451,915</u></u>

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, 2011

OPERATING REVENUES	
Emergency Telephone Service Charges	\$ 100,312
State Emergency Communication Board - shared wireless charges	66,868
State Emergency Communication Board - operational funding	142,791
Dispatching revenue	<u>395,518</u>
TOTAL OPERATING REVENUES	<u>705,489</u>
 OPERATING EXPENSES	
Salaries and Wages	332,589
Employee Benefits	113,961
Contracted Services	94,937
Supplies and Materials	32,428
Other Charges	41,700
Depreciation	23,115
Amortization	<u>1,392</u>
TOTAL OPERATING EXPENSES	<u>640,122</u>
NET OPERATING REVENUE (EXPENSE)	<u>65,367</u>
 NONOPERATING REVENUES (EXPENSES)	
Investment Income	7,661
Interest Income	1,944
TECB - Grants and Reimbursements	120,335
Rental Income	4,050
Interest Expense	<u>(30,053)</u>
NONOPERATING REVENUES (EXPENSES) - NET	<u>103,937</u>
CHANGE IN NET ASSETS	169,304
NET ASSETS - BEGINNING OF YEAR	<u>782,143</u>
NET ASSETS - END OF YEAR	<u><u>\$ 951,447</u></u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	695,687
Receipts from other sources	4,050
Payments to suppliers	(215,054)
Payments to employees	(451,495)
CASH PROVIDED BY OPERATING ACTIVITIES	33,188

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants/reimbursements TECB	18,000
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(1,453,487)
Interest paid on notes payable	(30,053)
Proceeds from bonds	1,275,000
Bond issue costs and discounts	(41,751)
Grants/reimbursements TECB	102,335
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(147,956)

INVESTING ACTIVITIES

Interest income	1,944
Investment income	7,661
Reinvested in investments	(7,205)
CASH PROVIDED BY INVESTING ACTIVITIES	2,400

DECREASE IN CASH	(94,368)
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CASH - BEGINNING OF PERIOD	223,207
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CASH - END OF PERIOD	128,839
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	65,367
Adjustments to derive cash effect:	
Depreciation	23,115
Amortization	1,392
Rental income	4,050
Accounts receivable	(9,802)
Accrued expenses	(4,945)
Accounts payable	(45,989)
CASH PROVIDED BY OPERATING ACTIVITIES	33,188

Reconciliation of purchase of capital assets with Statement of Cash Flows

Capital asset additions per Statement of Net Assets	(1,637,282)
Accounts payable - purchase of capital assets	183,795
Purchase of capital assets per Statement of Cash Flows	(1,453,487)

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 are billed for dispatching services (these revenues 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.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, dispatching revenue due from the County and the City, and wireless charges due from the State of Tennessee.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Restricted Assets

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Bond Discounts / Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

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.

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 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 remit funds to the District to cover various operating expenses in exchange for dispatching services provided by the District. This year the City and County remitted \$395,518 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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 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, 2011 was 8.85% 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, 2011, the District's annual pension cost of \$26,225 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
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(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 2.5 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 ten-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, 2009 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, 2011	\$ 26,225	100.00%	\$ -
June 30, 2010	\$ 23,447	100.00%	\$ -
June 30, 2009	\$ -	100.00%	\$ -

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 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)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 7/1/2010	Additions	Retirements	Balance 6/30/2011
Capital assets not being depreciated:				
Land	\$ 127,150	\$ -	\$ -	\$ 127,150
Construction in progress	45,337	-	45,337	-
Total capital assets not being depreciated	<u>172,487</u>	<u>-</u>	<u>45,337</u>	<u>127,150</u>
Capital assets being depreciated:				
Buildings and improvements	43,985	-	-	43,985
Buildings	60,000	1,178,920	-	1,238,920
Equipment- radio comm	339,029	353,306	-	692,335
Equipment and software	264,547	105,730	-	370,277
Furniture and fixtures	-	44,662	-	44,662
Vehicles	25,196	-	-	25,196
Maps	176,904	-	-	176,904
Total capital assets being depreciated	<u>909,661</u>	<u>1,682,618</u>	<u>-</u>	<u>2,592,279</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,907)	(1,467)	-	(15,374)
Buildings	(1,637)	(4,637)	-	(6,274)
Equipment - radio comm	(339,029)	(1,330)	-	(340,359)
Equipment and software	(253,417)	(3,437)	-	(256,854)
Furniture and fixtures	-	(372)	-	(372)
Vehicles	(25,196)	-	-	(25,196)
Maps	(132,766)	(11,872)	-	(144,638)
Total accumulated depreciation	<u>(765,952)</u>	<u>(23,115)</u>	<u>-</u>	<u>(789,067)</u>
Total capital assets, being depreciated, net	143,709	1,659,503	-	1,803,212
Total capital assets, net	<u>\$ 316,196</u>	<u>\$ 1,659,503</u>	<u>\$ 45,337</u>	<u>\$ 1,930,362</u>

Depreciation expense of \$23,115 (\$23,967 in 2010) was recorded by the District.

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. LONG-TERM DEBT

Long-term debt consists of Emergency Communication District Revenue Bonds, Series 2010, dated October 5, 2010, through June 30, 2040, with interest rates varying from 1.75% to 4.25%.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	<u>Balance 7/1/2010</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>	<u>Due within one year</u>
Revenue Bonds	\$ -	\$ 1,275,000	\$ -	\$ 1,275,000	\$ 25,000

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 25,000	\$ 70,844
2013	30,000	75,406
2014	30,000	74,881
2015	30,000	74,356
2016	30,000	73,831
2017-2021	165,000	371,237
2022-2026	190,000	369,062
2027-2031	225,000	367,812
2032-2036	280,000	373,432
2037-2040	270,000	299,751
Total	<u>\$ 1,275,000</u>	<u>\$ 2,150,612</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2011

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, 2011

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, 2011

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Emergency telephone service charges	\$ 90,000	\$ 100,312	\$ 10,312
State Emergency Communication Board - shared wireless charges	60,000	66,868	6,868
State Emergency Communications Board - operational funding	145,000	142,791	(2,209)
Dispatching revenue	355,000	395,518	40,518
TOTAL OPERATING REVENUES	650,000	705,489	55,489
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	50,000	48,016	1,984
Administrative Personnel	45,000	41,466	3,534
Dispatchers	265,000	243,107	21,893
<u>Employee Benefits</u>			
Social Security	26,500	21,416	5,084
Medicare	6,250	5,008	1,242
Medical insurance	60,000	57,854	2,146
Dental insurance	4,300	2,026	2,274
Unemployment compensation	3,000	1,964	1,036
Employee medical physicals	500	320	180
Retirement expense	33,000	25,373	7,627
<u>Contracted Services</u>			
Addressing/Ortho maps	30,000	-	30,000
Advertising	1,000	809	191
Audit	3,500	3,300	200
Accounting services	1,500	1,400	100
Administrative fees - service charges	2,600	850	1,750
Engineering services	2,500	-	2,500
Facility relocation expenses	35,000	25,788	9,212
Fees paid to service providers	50,000	47,472	2,528
Janitorial services	1,500	1,130	370
Legal fees	1,000	-	1,000
Mapping/data base consultants	1,000	800	200
Technical services	7,000	-	7,000
Maintenance and repairs - buildings and facilities	2,000	403	1,597
Maintenance and repairs - communications equipment	34,900	9,957	24,943
Maintenance and repairs - vehicles	5,000	3,028	1,972
<u>Supplies and Materials</u>			
Office supplies	6,500	4,286	2,214
Custodial supplies	1,000	663	337
Data processing supplies	4,000	3,642	358
Postage	200	199	1
Small equipment purchases	4,000	3,596	404
Utilities - electric	10,000	9,376	624
Utilities - gas	500	23	477
Utilities - water and sewer	500	180	320
Utilities - telephone	11,000	7,786	3,214
Utilities - cell phones and pagers	3,000	2,677	323
<u>Other Charges</u>			
Bank charges	100	-	100
Board meetings	500	-	500
Dues	300	252	48
Insurance - liability	6,600	3,894	2,706
Insurance - workers comp	2,500	1,955	545
Premiums on surety bonds	1,000	648	352
Service awards	3,600	3,564	36
Training expense	15,000	13,061	1,939
Travel, entertainment, conventions	4,500	2,165	2,335
Loss from third-party fraud	26,000	16,161	9,839
<u>Depreciation</u>			
Depreciation expense	-	23,115	(23,115)
<u>Amortization</u>			
Amortization expense	-	1,392	(1,392)
TOTAL OPERATING EXPENSES	772,850	640,122	132,728
NET OPERATING REVENUE	(122,850)	65,367	188,217
NONOPERATING REVENUES (EXPENSES)			
Interest income	9,000	1,944	(7,056)
Investment income	300	7,661	7,361
TECB - reimbursements and grants	120,000	120,335	335
Rental income	4,100	4,050	(50)
Interest expense	(31,000)	(30,053)	947
NONOPERATING REVENUES (EXPENSES) - NET	102,400	103,937	1,537
CHANGE IN NET ASSETS	(20,450)	169,304	189,754
NET ASSETS - BEGINNING OF YEAR	782,143	782,143	-
NET ASSETS - END OF YEAR	\$ 761,693	\$ 951,447	\$ 189,754

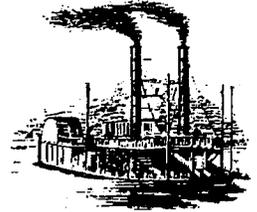
HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

<u>Operating Expenses</u>	
<u>Salaries and Wages</u>	
Director	48,016
Administrative Personnel	41,466
Dispatchers	243,107
<u>Total Salaries and Wages</u>	<u>332,589</u>
<u>Employee Benefits</u>	
Social Security	21,416
Medicare	5,008
Medical Insurance	57,854
Dental Insurance	2,026
Unemployment Compensation	1,964
Employee Medical Physicals	320
Retirement Expense	25,373
<u>Total Employee Benefits</u>	<u>113,961</u>
<u>Contracted Services</u>	
Advertising	809
Audit Services	3,300
Accounting Services	1,400
Administrative Fees - Service Charges	850
Facility Relocation Expenses	25,788
Fees Paid to Service Providers	47,472
Janitorial Services	1,130
Mapping/Data Base Consultants	800
Maintenance and Repairs-Buildings and Facilities	403
Maintenance and Repairs-Communications Equipment	9,957
Maintenance and Repairs-Vehicles	3,028
<u>Total Contracted Services</u>	<u>94,937</u>
<u>Supplies and Materials</u>	
Office Supplies	4,286
Custodial Supplies	663
Data Processing Supplies	3,642
Postage	199
Small Equipment Purchases	3,596
Utilities-Electric	9,376
Utilities-Gas	23
Utilities-Water and Sewer	180
Utilities-General Telephone	7,786
Utilities-Cell Phones and Pagers	2,677
<u>Total Supplies and Materials</u>	<u>32,428</u>
<u>Other Charges</u>	
Dues and Memberships	252
Insurance-Workmans Comp	1,955
Insurance-Liability	3,894
Premiums on Surety Bonds	648
Service Awards	3,564
Training Expenses	13,061
Travel Expenses	2,165
Loss from third-party fraud	16,161
<u>Total Other Charges</u>	<u>41,700</u>
<u>Depreciation</u>	
Depreciation	23,115
<u>Total Depreciation</u>	<u>23,115</u>
<u>Amortization</u>	
Amortization	1,392
<u>Total Amortization</u>	<u>1,392</u>
<u>Total Operating Expenses</u>	<u>\$ 640,122</u>

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2011

Year Ended June 30,	Revenue Bonds Payable		Totals
	Principal	Interest	
2012	\$ 25,000	\$ 70,844	\$ 95,844
2013	30,000	75,406	105,406
2014	30,000	74,881	104,881
2015	30,000	74,356	104,356
2016	30,000	73,831	103,831
2017	30,000	73,006	103,006
2018	30,000	72,181	102,181
2019	35,000	76,356	111,356
2020	35,000	75,394	110,394
2021	35,000	74,300	109,300
2022	35,000	73,206	108,206
2023	35,000	72,113	107,113
2024	40,000	75,931	115,931
2025	40,000	74,581	114,581
2026	40,000	73,231	113,231
2027	40,000	71,781	111,781
2028	45,000	75,331	120,331
2029	45,000	73,700	118,700
2030	45,000	71,900	116,900
2031	50,000	75,100	125,100
2032	50,000	73,100	123,100
2033	55,000	76,038	131,038
2034	55,000	73,769	128,769
2035	60,000	76,500	136,500
2036	60,000	74,025	134,025
2037	60,000	71,475	131,475
2038	65,000	73,925	138,925
2039	70,000	76,163	146,163
2040	75,000	78,188	153,188
	<u>\$ 1,275,000</u>	<u>\$ 2,150,612</u>	<u>\$ 3,425,612</u>



**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, 2011, and have issued our report thereon dated September 26, 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

DISPOSITION OF PRIOR AUDIT FINDINGS:

2010-01 EXPENSES EXCEEDED BUDGET APPROPRIATIONS—Corrected.

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, Tenold, Adams & Associates, PLLC

September 26, 2011