

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

June 30, 2012

SCHEDULE OF OFFICIALS

Jerry McCord, Chairman
Betty Nuckolls, Vice-Chairman
Mary Powell, Secretary
Tony Kirk, Treasurer
Virlene Brown
Carl Gibson
Terry King
Bobby Naylor
WS Thomas

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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Members of

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
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, 2012, which collectively comprise the District's basic financial statements, as listed in the table of 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 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 the 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, 2012, 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 3, 2012, 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.

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 3 through 6 and 15 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 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 as a whole. The introductory section and other supplemental information section are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule and the schedule of expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 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.



Certified Public Accountants

Jackson, Tennessee
September 3, 2012

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, 2012. 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 \$1.05 million and exceeded liabilities in the amount of \$1.04 million (i.e. net assets).
- Net assets increased \$298 thousand during the current year due to additional funding received from the State,
- During fiscal year 2012, the District answered 19,570 calls and approximately 15,713 calls during 2011.
- Operating revenues were \$552 thousand, an increase from year 2011 in the amount of \$219 thousand or 65.68%.
- Operating expenses were \$263 thousand, an increase over year 2011 in the amount of \$12 thousand or 4.59%.
- The operating income for the year was \$289 thousand as compared to \$82 thousand during the 2011 fiscal year.

OVERVIEW OF THE 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 Annual Financial Report is made up of four sections: 1) the introductory section, 2) the financial section, 3) the other supplementary section, and 4) the internal control and compliance 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 required supplementary information. The other supplementary 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$298 thousand and increased \$92 thousand for the fiscal years ended June 30, 2012 and 2011, respectively. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Current and other assets	\$ 723,421	\$ 663,228	\$ 60,193	9.08%
Capital assets	<u>327,842</u>	<u>90,058</u>	<u>237,784</u>	264.03%
Total assets	<u>1,051,263</u>	<u>753,286</u>	<u>297,977</u>	39.56%
Total liabilities	<u>4,821</u>	<u>5,311</u>	<u>(490)</u>	-9.23%
Net assets	<u>\$ 1,046,442</u>	<u>\$ 747,975</u>	<u>\$ 298,467</u>	39.90%

Table 2
CONDENSED STATEMENT OF INCOME AND CHANGES IN NET ASSETS

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Operating revenues	\$ 551,823	\$ 333,072	\$ 218,751	65.68%
Non-operating revenues	<u>9,345</u>	<u>10,095</u>	<u>(750)</u>	-7.43%
Total revenues	<u>561,168</u>	<u>343,167</u>	<u>218,001</u>	63.53%
Salaries and wages	70,303	73,933	(3,630)	-4.91%
Employee benefits	17,728	18,505	(777)	-4.20%
Contracted services	101,223	105,647	(4,424)	-4.19%
Supplies and materials	9,915	10,792	(877)	-8.13%
Other charges	22,636	17,049	5,587	32.77%
Depreciation	<u>40,896</u>	<u>25,256</u>	<u>15,640</u>	61.93%
Total expenses	<u>262,701</u>	<u>251,182</u>	<u>11,519</u>	4.59%
Change in net assets	298,467	91,985	206,482	224.47%
Beginning net assets	<u>747,975</u>	<u>655,990</u>	<u>91,985</u>	14.02%
Ending net assets	<u>\$ 1,046,442</u>	<u>\$ 747,975</u>	<u>\$ 298,467</u>	39.90%

The increase in Capital assets was due to an upgrade of the District's system resulting in the addition of several assets, this composed a large majority of the increase in total assets.

Changes in the District's net assets can be determined by reviewing the above condensed Statement of Income and Changes in Net Assets for the years. Operating revenues showed a 65.68% increase from 2011 to 2012. This increase is due to additional funding received from the TECB and a settlement received from AT&T service revenues. Expenses increased from 2011 to 2012. The increase was primarily due to increased depreciation expense from the addition of several assets during the year related to the system upgrade. Ending net assets showed an increase of 39.90%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

At the end of fiscal year 2012, the system had \$328 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 increase (net of increases and decreases) of \$238 thousand or 264.03% 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, 2012. These changes are presented in detail in Note 4 to the financial statements.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Office building	\$ 36,321	\$ 38,743	\$ (2,422)	-6.25%
Furniture and fixtures	9,031	13,817	(4,786)	-34.64%
Office equipment	1,765	2,743	(978)	-35.65%
Communication equipment	268,360	34,508	233,852	677.67%
Vehicles	12,365	247	12,118	4906.07%
Total liabilities	<u>\$ 327,842</u>	<u>\$ 90,058</u>	<u>\$ 237,784</u>	264.03%

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

The District expects the wireless money to continue to increase this year, while the landline funds will most likely continue to decline. The District is expecting to receive \$183,791 in operational funding from the State.

The dispatch center has consolidated and relocated to the Sheriff's department. Next Gen 911 equipment has been purchased and installed. Maintenance fees will be paid by the District.

The Board has also approved paying the Hardeman County Sheriff's Department \$30,000 per year impact payment, which will supplement 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, 2012

Assets

Current Assets

Cash and cash equivalents	\$	650,349
Certificate of deposits		60,299
Accounts receivable		5,543
Accrued interest receivable		32
Prepaid expenses		<u>7,198</u>

Total current assets 723,421

Capital Assets

Office building		72,671
Furniture and fixtures		42,210
Office equipment		11,618
Communications equipment		436,163
Vehicles		<u>14,838</u>

Total capital assets		577,500
Less - accumulated depreciation		<u>(249,658)</u>

Net capital assets 327,842

Total assets **1,051,263**

Liabilities

Current Liabilities

Accounts payable		154
Compensated absences payable		<u>4,667</u>

Total liabilities **4,821**

Net Assets

Investment in capital assets		327,842
Unrestricted net assets		<u>718,600</u>

Total net assets **\$ 1,046,442**

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, 2012

Operating revenues

Emergency telephone service charge	\$ 115,769
State emergency communications board - shared wireless charge	65,128
State emergency communications board - operational funding	187,267
State reimbursements	<u>183,659</u>
Total operating revenues	<u>551,823</u>

Operating expenses

Salaries and wages	70,303
Employee benefits	17,728
Contracted services	101,223
Supplies and materials	9,915
Other charges	22,636
Depreciation	<u>40,896</u>

Total operating expenses 262,701

Operating income (loss) 289,122

Non-operating revenues (expenses)

Interest income	<u>9,345</u>
Total non-operating revenues	<u>9,345</u>

Change in net assets **298,467**

Net Assets, July 1, 2011 747,975

Net Assets, June 30, 2012 \$ 1,046,442

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Cash received from telephone companies and state	\$ 555,629
Cash paid to suppliers of goods and services	(139,981)
Cash paid for employees services	(88,015)
Net cash provided by operating activities	<u>327,633</u>
 Cash flows from capital and related financing activities:	
Acquisition of fixed assets	<u>(278,680)</u>
Net cash provided by capital and related financing activities	<u>(278,680)</u>
 Cash flows from investing activities:	
Purchase of investments	(60,299)
Sale of investments	59,490
Interest on investments	9,389
Net cash provided by investing activities	<u>8,580</u>
Net increase in cash and cash equivalents	57,533
Cash and cash equivalents, July 1, 2011	<u>592,816</u>
Cash and cash equivalents, June 30, 2012	<u>650,349</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	289,122
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	40,896
Interest Income	
Changes in assets and liabilities:	
Accounts receivable	3,806
Prepays	(5,701)
Accounts payable	(506)
Compensated absences	16
Net cash provided by operating activities	<u>\$ 327,633</u>

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

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

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.

C. Assets, Liabilities, and Net Assets

Deposits 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

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

agencies, repurchase agreements, the Tennessee Local Government Investment Pool and certificates of deposit.

Accounts Receivable and Credit Risk

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

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

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 \$4,667.

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.

Net Assets

Net Assets are classified for reporting purposes as unrestricted and invested in capital assets. There are currently no restrictions on net assets.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 a 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.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits 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

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

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. District to invest in bonds, notes or

State statutes also authorize the 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, 2012, \$708,378 of the District's bank balance was covered by federal depository insurance. \$267 was uncollateralized at June 30, 2012.

B. Capital Assets

Changes in capital assets for the period from July 1, 2011 to June 30, 2012, were:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Office building	72,671	-	-	72,671
Furniture and fixtures	42,210	-	-	42,210
Office equipment	11,618	-	-	11,618
Communications equipment	172,321	263,842	-	436,163
Vehicles	<u>14,799</u>	<u>14,838</u>	<u>14,799</u>	<u>14,838</u>
Total capital assets being depreciated	<u>313,619</u>	<u>278,680</u>	<u>14,799</u>	<u>577,500</u>
Less accumulated depreciation				
Office building	33,926	2,422	-	36,348
Furniture and fixtures	28,394	4,786	-	33,180
Office equipment	8,876	978	-	9,854
Communications equipment	137,813	29,990	-	167,803
Vehicles	<u>14,552</u>	<u>2,720</u>	<u>14,799</u>	<u>2,473</u>
Total accumulated depreciation	<u>223,561</u>	<u>40,896</u>	<u>14,799</u>	<u>249,658</u>
Total capital assets, net	<u>\$ 90,058</u>	<u>\$ 237,784</u>	<u>\$ -</u>	<u>\$ 327,842</u>

NOTE 4 – OTHER INFORMATION

Commitments

The District will pay AT&T a monthly fee of \$1,961 for maintenance fees and 911 network charges. The District purchased CAD and mapping equipment from GeoConex. The yearly maintenance fee is \$16,031.

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

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

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.

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://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 15.38% percent 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, 2012, the District's annual pension cost of \$10,810 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 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, 2009 was 15

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 11,067	100%	\$ -
June 30, 2010	9,724	100%	\$ -
June 30, 2009	10,867	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date available, the plan was 55.79 percent funded. The actuarial accrued liability for benefits was \$0.2 million, and the actuarial value of assets was \$0.1 million, resulting in a unfunded actuarial accrued liability (UAAL) of \$.1 million, and the ratio of the UAAL to the covered payroll was 161.13 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, 2009	\$ 126,000	\$ 227,000	\$ 10,000	55.79%	\$62,000	161.13%
July 1, 2007	\$ 108,000	\$ 179,000	\$ 71,000	60.34%	\$73,000	97.26%

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, 2012, 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
SCHEDULE OF FUNDING PROGRESS**

June 30, 2012

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2009	\$126,000	\$227,000	\$100,000	55.79%	\$62,000	161.13%
7/1/2007	\$108,000	\$179,000	\$ 71,000	60.34%	\$73,000	97.26%

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.

OTHER SUPPLEMENTARY INFORMATION

The other supplementary 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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Revenues				
Emergency telephone service charge	92,000	92,000	119,575	\$ 27,575
State emergency communications board	50,000	50,000	65,128	15,128
State emergency communications board- operational funding	183,791	183,791	187,267	-
State reimbursements	-	183,660	183,659	-
Total revenues	<u>325,791</u>	<u>509,451</u>	<u>555,629</u>	<u>42,703</u>
Expenditures				
Salaries and wages				
Salary director	43,044	43,044	43,044	-
Salary administrative personnel	31,468	31,468	24,645	(6,823)
Payroll expenses	-	2,600	2,598	(2)
Employee benefits				
Social security	7,000	7,000	4,358	(2,642)
Medicare	2,000	2,000	1,019	(981)
Medical insurance	200	200	132	(68)
Dental insurance	600	600	454	(146)
Disability insurance	2,000	2,000	955	(1,045)
Retirement contributions	12,000	12,000	10,810	(1,190)
Contracted services				
Addressing/mapping expense	10,000	10,000	7,639	(2,361)
Advertising	1,000	1,000	110	(890)
Audit service	4,100	4,100	4,030	(70)
Accounting	500	500	-	(500)
Data processing services	1,000	1,000	735	(265)
Fees paid to service providers	25,000	25,000	14,607	(10,393)
Impact payments	30,000	30,000	30,000	-
Janitorial Services	1,300	1,300	600	(700)
Legal services	1,000	1,000	600	(400)
Maintenance agreement	450	450	-	(450)
Mapping/Data base consult	1,000	1,000	250	(750)
Pest control	300	300	180	(120)
Communications equipment rental	46,000	46,000	35,937	(10,063)
Repair and maintenance				
Communications equipment	1,500	1,515	1,515	-
Buildings and facilities	3,000	3,000	2,825	(175)
Office equipment	500	500	-	(500)
Vehicles	2,000	2,000	75	(1,925)
Fuel & vehicles	2,000	2,000	1,637	(363)

See the independent auditor's report.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance- Over (Under)
Expenditures				
Supplies and materials				
Office supplies	2,500	2,500	2,041	(459)
Data processing supplies	1,000	1,000	-	(1,000)
Postage	250	250	235	(15)
Other charges				
Small equipment purchases	1,000	1,000	952	(48)
Utilities	5,200	5,200	2,944	(2,256)
Telephone	5,300	5,300	2,458	(2,842)
Cell Phone	2,000	2,000	1,286	(714)
Board meeting expenses	2,000	2,000	422	(1,578)
Dues and memberships	2,500	2,500	1,667	(833)
Insurance				
Workers' comp	-	1,000	977	(23)
Liability	1,500	1,500	727	(773)
Building and contents	3,500	3,500	2,612	(888)
Vehicles	1,900	1,900	1,381	(519)
Premiums on surety bonds	2,000	2,000	697	(1,303)
Public education	700	700	165	-
Training expenses	4,000	6,737	6,737	-
Travel expenses	10,000	10,000	6,109	(3,891)
Internet charges	2,100	2,100	1,835	(265)
Capital expenditures	28,000	289,843	284,680	(5,163)
 Total expenditures	 304,412	 572,607	 506,680	 (65,392)
 Operating income - budgetary basis	 21,379	 (63,156)	 48,949	 108,094
Other Revenues (expenditures)				
Interest income	6,000	6,000	9,389	3,389
 Change in net assets - budgetary	 \$ 27,379	 \$ (57,156)	 58,338	 111,483
 Adjustments For:				
Revenues to accrual basis			(3,850)	
Expenses to accrual basis			1,195	
Depreciation expense			(40,896)	
Reclassification of capital expenditures to fixed assets			283,680	
Change in net assets			298,467	

See the independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES

For the Year Ended June 30, 2012

Salaries and wages	
Salary director	\$ 43,052
Salary administrative personnel	24,653
Payroll expenses	2,598
	<u>\$ 70,303</u>
Employee benefits	
Social security	\$ 4,358
Medicare	1,019
Medical insurance	132
Dental insurance	454
Disability insurance	955
Retirement contributions	10,810
	<u>\$ 17,728</u>
Contracted services	
Addressing/mapping expense	\$ 8,464
Advertising	110
Audit service	4,030
Data processing services	735
Fees paid to service providers	14,607
Impact payments	30,000
Janitorial Services	600
Legal services	600
Pest control	180
Communications equipment rental	35,937
Repair and maintenance	
Communications equipment	1,515
Buildings and facilities	2,825
Vehicles	75
Fuel & vehicles	1,545
	<u>\$ 101,223</u>

See the independent auditor's report.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES**

For the Year Ended June 30, 2012

Supplies and materials		
Office supplies	\$	2,041
Postage		235
Small equipment purchases		952
Utilities		2,943
Telephone		2,458
Cell Phone		1,286
	<u>\$</u>	<u>9,915</u>
Other charges		
Board meeting expenses	\$	430
Dues and memberships		1,667
Insurance		
Workers' comp		977
Liability		727
Building and contents		2,178
Vehicles		1,114
Premiums on surety bonds		697
Public education		165
Training expenses		6,737
Travel expenses		6,109
Internet charges		1,835
	<u>\$</u>	<u>22,636</u>

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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Tennessee Society of Certified Public Accountants
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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, 2012, and have issued our report thereon dated September 3, 2012. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing 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.

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.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Jackson, Tennessee
September 3, 2012