

**HARDIN COUNTY EMERGENCY
COMMUNICATION DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2012

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**HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2012**

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, 2012

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, 2012. 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

	<u>June 30, 2012</u>	<u>Percent of Total</u>	<u>June 30, 2011</u>	<u>Percent of Total</u>
Current and other assets	\$ 670,781	26.17%	\$ 521,553	21.27%
Capital assets	1,891,979	73.83%	1,930,362	78.73%
Total assets	<u>2,562,760</u>	<u>100.00%</u>	<u>2,451,915</u>	<u>100.00%</u>
Current liabilities	108,058	4.22%	250,468	10.22%
Long-term liabilities	1,220,000	47.60%	1,250,000	50.98%
Total liabilities	<u>1,328,058</u>	<u>51.82%</u>	<u>1,500,468</u>	<u>61.20%</u>
Net assets				
Invested in capital assets, net of related debt	641,979	25.05%	655,362	26.73%
Restricted net assets for debt service	78,188	3.05%	78,188	0.00%
Unrestricted	514,535	20.08%	217,897	8.89%
Total net assets	<u>\$ 1,234,702</u>	<u>48.18%</u>	<u>\$ 951,447</u>	<u>35.62%</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues		
Operating revenues	\$ 805,259	\$ 705,489
Expenses		
Salaries and Wages	332,840	332,589
Employee Benefits	113,816	113,961
Contracted services	142,894	94,937
Supplies and materials	35,293	32,428
Other charges	19,752	41,700
Depreciation	97,695	23,115
Amortization	1,392	1,392
Total operating expenses	<u>743,682</u>	<u>640,122</u>
Operating income (loss)	<u>61,577</u>	<u>65,367</u>
Nonoperating revenue (expenses)	<u>43,771</u>	<u>1,602</u>
Income before capital contribution	<u>105,348</u>	<u>66,969</u>
Capital contributions	<u>177,907</u>	<u>102,335</u>
Increase (decrease) in net assets	283,255	169,304
Net assets - beginning of year	<u>951,447</u>	<u>782,143</u>
Net assets - end of year	<u>\$ 1,234,702</u>	<u>\$ 951,447</u>

The District had a profit in the current year of \$283,225 compared to a profit in the prior year of \$169,304. This current year increase in profit was mainly due to increased revenues. The increase in operating revenues was due to a rate increase implemented in the current year while the increase in nonoperating revenues was due to the District receiving insurance recovery funds on equipment damaged in a storm. The increase in capital contributions was due to the District receiving a reimbursement from the TECB for capital equipment, which was capitalized over its useful life.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2012, the District had \$1,891,979 invested in a broad range of capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital additions of \$65,570 consisted of the equipment purchases and building improvements. Capital asset disposals of \$18,109 occurred in the current year due to the District's relocation. Accumulated depreciation increased by \$85,843. 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, 2012

Debt

During the prior 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. At year-end, the District had \$1,250,000 in outstanding long-term debt compared to \$1,275,000 last year. 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 \$878,435 (including grants of \$100,000 which will be used to help pay operational expenses) and expenses of \$726,200.

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



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, 2012. 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, 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 November 12, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 and pension funding progress information on pages 17 – 18 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 is the responsibility of management and was derived from and relates 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 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.

Godwin & Associates, PLLC

November 12, 2012

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 202,433
Investments	284,844
Accounts receivable	16,315
Due from other governments	40,009
Due from Tennessee Emergency Communications Board	<u>10,024</u>

TOTAL CURRENT ASSETS 553,625

RESTRICTED ASSETS

Cash	<u>78,188</u>
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CAPITAL ASSETS

Land	127,150
Building improvements	30,561
Buildings	1,238,920
Equipment - radio communication	692,335
Equipment and software	370,277
Furniture and fixtures	44,662
Vehicles	25,196
Maps	<u>237,788</u>
	2,766,889
LESS: accumulated depreciation	<u>(874,910)</u>

NET CAPITAL ASSETS 1,891,979

OTHER ASSETS

Bond issue costs, net of accumulated amortization	<u>38,968</u>
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TOTAL ASSETS \$ 2,562,760

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 43,621
Accrued expenses	34,437
Current portion of long-term debt	<u>30,000</u>

TOTAL CURRENT LIABILITIES 108,058

LONG-TERM LIABILITIES

Bonds payable	<u>1,220,000</u>
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NET ASSETS

Invested in capital assets, net of related debt	641,979
Restricted net assets for debt service	78,188
Unrestricted net assets	<u>514,535</u>

TOTAL NET ASSETS 1,234,702

TOTAL LIABILITIES AND NET ASSETS \$ 2,562,760

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, 2012

OPERATING REVENUES	
Emergency Telephone Service Charge	\$ 167,408
Tennessee Emergency Communication Board - shared wireless charge	60,580
Tennessee Emergency Communication Board - operational funding	142,814
Dispatching revenue	<u>434,457</u>
TOTAL OPERATING REVENUES	<u>805,259</u>
OPERATING EXPENSES	
Salaries and Wages	332,840
Employee Benefits	113,816
Contracted Services	142,894
Supplies and Materials	35,293
Other Charges	19,752
Depreciation	97,695
Amortization	<u>1,392</u>
TOTAL OPERATING EXPENSES	<u>743,682</u>
OPERATING INCOME (LOSS)	<u>61,577</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	2,423
Interest Income	490
TECB - Grants and Reimbursements	44,453
Interest Expense	(45,844)
Loss on Disposal of Property	(6,257)
Rental Income	3,600
Insurance Recovery	<u>44,906</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>43,771</u>
INCOME BEFORE CAPITAL CONTRIBUTION	<u>105,348</u>
CAPITAL CONTRIBUTIONS	
Capital Contributions from Tennessee Emergency Communications Board	<u>177,907</u>
INCREASE (DECREASE) IN NET ASSETS	283,255
NET ASSETS - BEGINNING OF YEAR	<u>951,447</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,234,702</u></u>

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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 808,845
Receipts from other sources	3,600
Payments to suppliers	(205,314)
Payments to employees	(443,486)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>163,645</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/reimbursements TECB	<u>44,453</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(208,775)
Principal paid on notes payable	(25,000)
Interest paid on notes payable	(45,844)
Insurance recovery on capital assets	44,906
Grants/reimbursements TECB	177,907
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(56,806)</u>
INVESTING ACTIVITIES	
Interest income	490
Investment income	2,423
Reinvested in investments	(2,423)
CASH PROVIDED BY INVESTING ACTIVITIES	<u>490</u>
INCREASE IN CASH	151,782
CASH - BEGINNING OF PERIOD	<u>128,839</u>
CASH - END OF PERIOD	<u>\$ 280,621</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 61,577
Adjustments to derive cash effect:	
Depreciation	97,695
Amortization	1,392
Rental income	3,600
Accounts receivable	(5,574)
Due from other governments	8,091
Due from TECB	1,069
Accrued expenses	3,170
Accounts payable	(7,375)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 163,645</u>
 <u>Reconciliation of purchase of capital assets with Statement of Cash Flows</u>	
Capital asset additions per Statement of Net Assets	\$ (65,570)
Current year accounts payable - purchase of capital assets	40,590
Prior year accounts payable - purchase of capital assets	(183,795)
Purchase of capital assets per Statement of Cash Flows	<u>\$ (208,775)</u>

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, Saultillo, and Crump are billed for dispatching services (these revenues provide funding for the dispatchers' salaries).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GASB conformity

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

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, 2012

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:

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 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.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 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, 2012 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.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Annual Pension Cost

For the year ending June 30, 2012, the District's annual pension cost of \$25,676 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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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, 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, 2012	\$ 25,676	100.00%	\$ -
June 30, 2011	\$ 23,447	100.00%	\$ -
June 30, 2010	\$ 26,225	100.00%	\$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 71.85% percent funded. The actuarial accrued liability for benefits was \$0.19 million, and the actuarial value of assets was \$0.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.31 million, and the ratio of the UAAL to the covered payroll was 17.10% 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.

(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, 2011	\$ 137	\$ 190	\$ 54	71.85%	\$ 313	17.10%
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, 2012

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 7/1/2011	Additions	Retirements	Balance 6/30/2012
Capital assets not being depreciated:				
Land	\$ 127,150	\$ -	\$ -	\$ 127,150
Capital assets being depreciated:				
Buildings and improvements	43,985	4,686	18,110	30,561
Buildings	1,238,920	-	-	1,238,920
Equipment- radio comm	692,335	-	-	692,335
Equipment and software	370,277	-	-	370,277
Furniture and fixtures	44,662	-	-	44,662
Vehicles	25,196	-	-	25,196
Maps	176,904	60,884	-	237,788
Total capital assets being depreciated	2,592,279	65,570	18,110	2,639,739
Less accumulated depreciation for:				
Buildings and improvements	(15,374)	(983)	(11,852)	(4,505)
Buildings	(6,274)	(31,655)	-	(37,929)
Equipment - radio comm	(340,359)	(35,331)	-	(375,690)
Equipment and software	(256,854)	(12,374)	-	(269,228)
Furniture and fixtures	(372)	(4,466)	-	(4,838)
Vehicles	(25,196)	-	-	(25,196)
Maps	(144,638)	(12,886)	-	(157,524)
Total accumulated depreciation	(789,067)	(97,695)	(11,852)	(874,910)
Total capital assets, being depreciated, net	1,803,212	(32,125)	6,258	1,764,829
Total capital assets, net	\$ 1,930,362	\$ (32,125)	\$ 6,258	\$ 1,891,979

Depreciation expense of \$97,695 (\$23,115 in 2011) 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 were within appropriations at the line-item level.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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, 2012:

	<u>Balance 7/1/2011</u>	<u>Issues or Additions</u>	<u>Payments or Retirements</u>	<u>Balance 6/30/2012</u>	<u>Due within one year</u>
Revenue Bonds	\$ 1,275,000	\$ -	\$ 25,000	\$ 1,250,000	\$ 30,000

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 1,250,000</u>	<u>\$ 2,079,768</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, 2012

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, 2011	\$ 137	\$ 190	\$ 54	71.85%	\$ 313	17.10%
July 1, 2009	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
July 2, 2007	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012

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.

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, 2012**

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Emergency telephone service charges	\$ 155,000	\$ 167,408	\$ 12,408
Tennessee Emergency Communication Board - shared wireless charges	60,000	60,580	580
Tennessee Emergency Communications Board - operational funding	145,000	142,814	(2,186)
Dispatching revenue	435,000	434,457	(543)
TOTAL OPERATING REVENUES	795,000	805,259	10,259
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	51,000	49,078	1,922
Administrative Personnel	52,000	49,957	2,043
Dispatchers	250,000	233,805	16,195
<u>Employee Benefits</u>			
Social Security	23,000	20,531	2,469
Medicare	5,000	4,802	198
Medical insurance	65,000	58,474	6,526
Dental insurance	2,500	2,086	414
Unemployment compensation	3,000	2,016	984
Employee medical physicals	500	210	290
Retirement expense	28,000	25,697	2,303
<u>Contracted Services</u>			
Addressing/Ortho maps	23,000	-	23,000
Advertising	500	100	400
Audit	3,300	3,200	100
Accounting services	1,800	1,502	98
Administrative fees - service charges	1,500	1,088	412
Facility relocation expenses	100	50	50
Fees paid to service providers	30,000	27,662	2,338
Janitorial services	1,500	-	1,500
Legal fees	1,000	-	1,000
Mapping/data base consultants	500	400	100
Maintenance and repairs - buildings and facilities	1,500	1,066	434
Maintenance and repairs - office equipment	500	295	205
Maintenance and repairs - communications equipment	90,000	89,522	478
Maintenance and repairs - vehicles	3,000	2,158	842
Maintenance and repairs - consultants	16,000	15,851	149
<u>Supplies and Materials</u>			
Office supplies	3,500	3,116	384
Custodial supplies	1,500	1,230	270
Data processing supplies	4,100	3,940	160
Postage	300	256	44
Small equipment purchases	4,000	3,272	728
Uniforms and shirts	1,000	407	593
Utilities - electric	12,000	10,514	1,486
Utilities - gas	100	57	43
Utilities - water and sewer	1,500	1,240	260
Utilities - telephone	9,500	8,403	1,097
Utilities - cell phones and pagers	3,000	2,858	142
<u>Other Charges</u>			
Bank charges	700	650	50
Dues	400	354	46
Insurance - liability	6,600	6,476	124
Insurance - workers comp	2,000	1,872	128
Premiums on surety bonds	1,000	730	270
Service awards	3,600	2,665	935
Training expense	1,000	780	220
Travel, entertainment, conventions	3,000	2,871	129
Internet charges	3,600	3,354	246
<u>Depreciation</u>			
Depreciation expense	-	97,695	(97,695)
<u>Amortization</u>			
Amortization expense	-	1,392	(1,392)
TOTAL OPERATING EXPENSES	716,400	743,682	(27,282)
OPERATING INCOME (LOSS)	78,600	61,577	(17,023)
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	2,423	2,423
Interest income	1,000	490	(510)
TECB - reimbursements and grants	27,093	44,453	17,360
Interest expense	(46,000)	(45,844)	156
Loss on disposal of property	-	(6,257)	(6,257)
Rental income	3,600	3,600	-
Insurance recovery	44,906	44,906	-
TOTAL NONOPERATING REVENUES (EXPENSES)	30,599	43,771	13,172
INCOME BEFORE CAPITAL CONTRIBUTION	109,199	105,348	(3,851)
CAPITAL CONTRIBUTIONS			
Capital contributions from Tennessee Emergency Communications Board	177,907	177,907	-
INCREASE (DECREASE) IN NET ASSETS	287,106	283,255	(3,851)
NET ASSETS - BEGINNING OF YEAR	951,447	951,447	-
NET ASSETS - END OF YEAR	\$ 1,238,553	\$ 1,234,702	\$ (3,851)

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

Operating Expenses

Salaries and Wages

Director	49,078
Administrative Personnel	49,957
Dispatchers	233,805
<u>Total Salaries and Wages</u>	<u>332,840</u>

Employee Benefits

Social Security	20,531
Medicare	4,802
Medical Insurance	58,474
Dental Insurance	2,086
Unemployment Compensation	2,016
Employee Medical Physicals	210
Retirement Expense	25,697
<u>Total Employee Benefits</u>	<u>113,816</u>

Contracted Services

Advertising	100
Audit Services	3,200
Accounting Services	1,502
Administrative Fees - Service Charges	1,088
Facility Relocation Expenses	50
Fees Paid to Service Providers	27,662
Mapping/Data Base Consultants	400
Maintenance and Repairs-Buildings and Facilities	1,066
Maintenance and Repairs-Office Equipment	295
Maintenance and Repairs-Radio Equipment	89,522
Maintenance and Repairs-Vehicles	2,158
Maintenance and Repairs-Consultants	15,851
<u>Total Contracted Services</u>	<u>142,894</u>

Supplies and Materials

Office Supplies	3,116
Custodial Supplies	1,230
Data Processing Supplies	3,940
Postage	256
Small Equipment Purchases	3,272
Uniforms and Shirts	407
Utilities-Electric	10,514
Utilities-Gas	57
Utilities-Water and Sewer	1,240
Utilities-General Telephone	8,403
Utilities-Cell Phones and Pagers	2,858
<u>Total Supplies and Materials</u>	<u>35,293</u>

Other Charges

Bank Charges	650
Dues and Memberships	354
Insurance-Workmans Comp	1,872
Insurance-Liability	6,476
Premiums on Surety Bonds	730
Service Awards	2,665
Training Expenses	780
Travel Expenses	2,871
Internet Charges	3,354
<u>Total Other Charges</u>	<u>19,752</u>

Depreciation

Depreciation	97,695
<u>Total Depreciation</u>	<u>97,695</u>

Amortization

Amortization	1,392
<u>Total Amortization</u>	<u>1,392</u>

Total Operating Expenses \$ 743,682

**HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2012**

Year Ended June 30,	Revenue Bonds Payable		Totals
	Principal	Interest	
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>\$ 1,250,000</u>	<u>\$ 2,079,768</u>	<u>\$ 3,329,768</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, 2012, and have issued our report thereon dated November 12, 2012. 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

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.

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

2012-01 AUTHORIZED PERSONNEL NOT ADEQUATELY BONDED

Authorized personnel are bonded but not to the level required by the Tennessee Code Annotated (TCA).

Recommendation: Obtain bonding for authorized personnel according to the formula provided in the TCA.

Management's Response: We will correct immediately.

DISPOSITION OF PRIOR AUDIT FINDINGS:

None.

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

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.

Hochman & Associates, PLLC

November 12, 2012