HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
INDEPENDENT AUDITOR'S REPORT, FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2013

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HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2013

David Alexander - Director

James Berry - Chairman

Donald Derr - Secretary

Paul Blount

Jerry Clarke

Sammy Davidson

Wally Hamilton

Jamie Lee Johnson

Melvin Martin

Glen Spencer

GODWIN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 Main Street, Savannah, Tennessee 38372
Phone 731.925.6547 Fax 731.925.9524

Independent Auditor's Report

Board of Directors
Hardin County Emergency Communication District
Savannah, Tennessee

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34);* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Member: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 7 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 20 – 22) are presented for purposes of additional analysis and are not required parts of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 21, 2013, 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* in considering the District's internal control over financial reporting and compliance.

Hodwin & Associates, PLLC

November 21, 2013

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (on pages 8 through 9) 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 11 - 17.

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 18-19 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 20 – 22 of this report.

Comparative Data

Statement of Net Position

	June 30, 2013	Percent of Total	June 30, 2012	Percent of Total
Current and other assets	$ 826,624	31.33%	$ 631,813	25.03%
Capital assets	1,811,739	68.67%	1,891,979	74.97%
Total assets	2,638,363	100.00%	2,523,792	100.00%
Current liabilities	57,846	2.19%	78,058	3.09%
Long-term liabilities	1,211,668	45.92%	1,211,032	47.98%
Total liabilities	1,269,514	48.12%	1,289,090	51.08%
Net position				
Net investment in capital assets	600,071	22.74%	680,947	26.98%
Restricted net position for debt service	78,188	2.96%	78,188	0.00%
Unrestricted net position	690,590	26.17%	475,567	18.84%
Total net position	$ 1,368,849	51.88%	$ 1,234,702	45.82%

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

	June 30, 2013	June 30, 2012
Revenues		
Operating revenues	$ 842,008	$ 805,259
Expenses		
Salaries and Wages	346,914	332,840
Employee Benefits	110,616	113,816
Contracted services	95,453	142,894
Supplies and materials	89,336	35,293
Other charges	24,249	19,752
Depreciation	105,499	97,695
Amortization	307	1,392
Total operating expenses	772,374	743,682
Operating income (loss)	69,634	61,577
Nonoperating revenue (expenses)	69,583	43,771
Income before capital contribution	139,217	105,348
Capital contributions	25,259	177,907
Change in net position	164,476	283,255
Net position - beginning of year, as originally stated	1,234,702	951,447
Prior period adjustment	(30,329)	-
Net position - beginning of year, as restated	1,204,373	-
Net position - end of year	$ 1,368,849	$ 1,234,702

The District had a profit in the current year of $164,476 compared to a profit in the prior year of $283,225. This current year decrease in profit was mainly due to increased operating expenses and decreased capital contributions. Supplies and materials were increased in the current year due to numerous small equipment purchases. Two repeater sites were established that required the purchase of numerous equipment below the capital asset threshold ($5,000). Therefore, small equipment purchases increased drastically in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2013, the District had $1,811,739 invested in a broad range of capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital additions of $25,259 consisted of a vehicle purchase. Accumulated depreciation increased by $105,499. Additional information on capital assets is in Note 6.

Debt

During a 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 $1,220,000 in outstanding long-term debt compared to $1,250,000 last year. Additional information on long-term debt is in Note 10.

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 $894,650 (including grants of $120,000 which will be used to help pay operational expenses) and expenses of $797,350.

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS	
Cash	$ 330,793
Investments	288,327
Accounts receivable	10,458
Due from other governments	26,042
Due from Tennessee Emergency Communications Board	92,816
TOTAL CURRENT ASSETS	748,436
RESTRICTED ASSETS	
Cash	78,188
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	50,455
Maps	237,788
	2,792,148
LESS: accumulated depreciation	(980,409)
NET CAPITAL ASSETS	1,811,739
TOTAL ASSETS	2,638,363

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	25,431
Accrued expenses	32,415
Current portion of long-term debt	30,000
TOTAL CURRENT LIABILITIES	87,846
LONG-TERM LIABILITIES	
Bonds payable (net of unamortized discounts)	1,181,668
NET POSITION	
Net investment in capital assets	600,071
Restricted net position for debt service	78,188
Unrestricted net position	690,590
TOTAL NET POSITION	$ 1,368,849

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Emergency Telephone Service Charge	$ 148,854
Tennessee Emergency Communication Board - shared wireless charge	63,968
Tennessee Emergency Communication Board - operational funding	176,791
Dispatching revenue	452,395
TOTAL OPERATING REVENUES	842,008
OPERATING EXPENSES	
Salaries and Wages	346,914
Employee Benefits	110,616
Contracted Services	95,453
Supplies and Materials	89,336
Other Charges	24,249
Depreciation	105,499
Amortization	307
TOTAL OPERATING EXPENSES	772,374
OPERATING INCOME (LOSS)	69,634
NONOPERATING REVENUES (EXPENSES)	
Investment Income	3,483
Interest Income	626
TECB - Grants and Reimbursements	103,665
Interest Expense	(45,406)
Rental Income	7,215
TOTAL NONOPERATING REVENUES (EXPENSES)	69,583
INCOME BEFORE CAPITAL CONTRIBUTION	139,217
CAPITAL CONTRIBUTIONS	
Capital Contributions from Tennessee Emergency Communications Board	25,259
CHANGE IN NET POSITION	164,476
NET POSITION - BEGINNING OF YEAR, as originally stated	1,234,702
PRIOR PERIOD ADJUSTMENT	(30,329)
NET POSITION - BEGINNING OF YEAR, as restated	1,204,373
NET POSITION - END OF YEAR	$ 1,368,849

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 779,040
Receipts from other sources	7,215
Payments to suppliers	(206,933)
Payments to employees	(459,552)
CASH PROVIDED BY OPERATING ACTIVITIES	119,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/reimbursements TECB	103,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(45,554)
Principal paid on notes payable	(30,000)
Interest paid on notes payable	(45,406)
Grants/reimbursements TECB	25,259
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(95,701)
INVESTING ACTIVITIES	
Interest income	626
Investment income	3,483
Reinvested in investments	(3,483)
CASH PROVIDED BY INVESTING ACTIVITIES	626
INCREASE IN CASH	128,360
CASH - BEGINNING OF PERIOD	280,621
CASH - END OF PERIOD	$ 408,981

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ 69,634
Adjustments to derive cash effect:	
Depreciation	105,499
Amortization	307
Rental income	7,215
Accounts receivable	5,857
Due from other governments	13,967
Due from TECB	(82,792)
Accrued expenses	(2,022)
Accounts payable	2,105
CASH PROVIDED BY OPERATING ACTIVITIES	$ 119,770

Reconciliation of purchase of capital assets with Statement of Cash Flows	
Capital asset additions per Statement of Net Position	$ (25,259)
Current year accounts payable - purchase of capital assets	20,295
Prior year accounts payable - purchase of capital assets	(40,590)
Purchase of capital assets per Statement of Cash Flows	$ (45,554)

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

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

A. Basis of Presentation

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

Proprietary Funds

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

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, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

Restricted Assets

Certain resources set aside for bond repayment are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Bond Discounts
Bond discounts 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. Any related interest cost is also added to the cost of the asset as appropriate.

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 non-operating.

Long-term debt
All long-term debt to be repaid is reported as liabilities in the Statement of Net Position. The long-term debt consists primarily of revenue bonds and unamortized premiums and discounts.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption
Sometimes the District will fund outlays for a particular purpose from both restricted (e. g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position
In the District's financial statements, equity is classified as net position and displayed in three components:

a. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

3. REVENUES

Revenues are derived from telephone customers in the area served by the District. Telephone companies and the TECB 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 $451,095 to the District.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 7/1/2012	Additions	Retirements	Balance 6/30/2013
Capital assets not being depreciated:				
Land	$ 127,150	$ -	$ -	$ 127,150
Capital assets being depreciated:				
Buildings and improvements	30,561	-	-	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	25,259	-	50,455
Maps	237,788	-	-	237,788
Total capital assets being depreciated	2,639,739	25,259	-	2,664,998
Less accumulated depreciation for:				
Buildings and improvements	(4,505)	(1,019)	-	(5,524)
Buildings	(37,929)	(31,655)	-	(69,584)
Equipment - radio comm	(375,690)	(35,330)	-	(411,020)
Equipment and software	(269,228)	(12,123)	-	(281,351)
Furniture and fixtures	(4,838)	(4,466)	-	(9,304)
Vehicles	(25,196)	(2,947)	-	(28,143)
Maps	(157,524)	(17,959)	-	(175,483)
Total accumulated depreciation	(874,910)	(105,499)	-	(980,409)
Total capital assets, being depreciated, net	1,764,829	(80,240)	-	1,684,589
Total capital assets, net	$ 1,891,979	$ (80,240)	$ -	$ 1,811,739

Depreciation expense of $105,499 ($97,695 in 2012) was recorded by the District.

In addition to the above capital asset purchases, additional small equipment purchases ($55,760) were made in the current year. These were purchases below the District's capitalization threshold ($5,000).

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, 2013 was 4.81% 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, 2013, the District's annual pension cost of $13,176 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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, 2011 was 18 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, 2013	$ 13,176	100.00%	$ -
June 30, 2012	$ 25,676	100.00%	$ -
June 30, 2011	$ 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 schedule 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 Liabity (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%

8. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government 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.

8.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The District's investment policies are governed by State statute. Permissible investments include 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. At June 30, 2013, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's 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. As of June 20, 3013, $120,956 of the District's deposits were exposed to custodial credit risk due to being uninsured and uncollateralized.

8.B. 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.

9. 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.

10. 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, 2013:

	Balance 7/1/2012	Issues or Additions	Payments or Retirements	Balance 6/30/2013	Due within one year
Revenue Bonds	$ 1,250,000	$ -	$ 30,000	$ 1,220,000	$ 30,000
Unamoritized debt discounts	(8,639)	-	307	(8,332)	-
	$ 1,241,361	$ -	$ 30,307	$ 1,211,668	$ 30,000

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2013, are as follows:

	Revenue Bonds Business-type Activities	
Year Ending June 30,	Principal	Interest
2014	$ 30,000	$ 44,881
2015	30,000	44,356
2016	30,000	43,831
2017	30,000	43,006
2018	30,000	42,181
2019-2023	175,000	196,369
2024-2028	205,000	165,856
2029-2033	245,000	124,838
2034-2038	300,000	69,694
2039-2040	145,000	9,350
Total	$ 1,220,000	$ 784,362

11. ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34);* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

12. PRIOR PERIOD ADJUSTMENT

Due to implementation of GASB Statement No. 65, a prior period adjustment was made to remove bond issue costs that had previously been recorded as an asset and amortized annually over the life of the corresponding debt issue.

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2013

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 Liabity (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%

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 POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Emergency telephone service charge	$ 155,000	$ 148,854	$ (6,146)
Tennessee Emergency Communication Board - shared wireless charges	60,000	63,968	3,968
Tennessee Emergency Communications Board - operational funding	100,000	176,791	76,791
Dispatching revenue	451,435	452,395	960
TOTAL OPERATING REVENUES	766,435	842,008	75,573
OPERATING EXPENSES			
Salaries and Wages			
Director	51,000	49,143	1,857
Administrative Personnel	52,000	49,844	2,156
Dispatchers	254,500	247,927	6,573
Employee Benefits			
Social Security	22,500	21,303	1,197
Medicare	5,500	4,982	518
Medical insurance	73,000	66,298	6,702
Dental insurance	3,000	2,317	683
Unemployment compensation	2,500	2,267	233
Employee medical physicals	500	260	240
Retirement expense	16,000	13,189	2,811
Contracted Services			
Addressing/mapping services	22,000	1,684	20,316
Advertising	500	166	334
Audit services	4,000	4,000	-
Accounting services	1,800	1,402	398
Administrative fees - service charges	1,300	894	406
Fees paid to service providers	40,000	38,622	1,378
Legal fees	500	-	500
Mapping/data base consultants	4,000	3,900	100
Other consultants - technical services	2,500	1,500	1,000
Maintenance and repairs - buildings and facilities	9,000	7,538	1,462
Maintenance and repairs - radio equipment	14,000	13,977	23
Maintenance and repairs - vehicles	7,000	6,616	384
Maintenance and repairs - consultants	16,000	15,154	846
Supplies and Materials			
Office supplies	4,000	3,849	151
Custodial supplies	2,000	1,369	631
Data processing supplies	5,500	5,446	54
Postage	400	135	265
Small equipment purchases	56,000	55,760	240
Uniforms and shirts	1,800	1,354	446
Utilities - electric	11,000	10,287	713
Utilities - gas	500	30	470
Utilities - water and sewer	1,500	1,206	294
Utilities - general telephone	8,000	7,547	453
Utilities - cell phones and pagers	3,000	2,353	647
Other Charges			
Bank charges	1,000	630	370
Board meeting expenses	500	-	500
Dues and memberships	400	290	110
Insurance - workers comp	2,500	2,216	284
Insurance - liability	6,600	6,476	124
Premiums on surety bonds	1,500	1,138	362
Service awards	800	480	320
Training expense	5,500	5,189	311
Travel expenses	5,000	4,349	651
Internet charges	3,600	3,481	119
Depreciation			
Depreciation expense	-	105,499	(105,499)
Amortization			
Amortization expense	-	307	(307)
TOTAL OPERATING EXPENSES	724,200	772,374	(48,174)
OPERATING INCOME (LOSS)	42,235	69,634	27,399
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	3,483	3,483
Interest income	1,000	626	(374)
TECB - grants and reimbursements	-	103,665	103,665
Interest expense	(46,000)	(45,406)	594
Rental income	7,500	7,215	(285)
TOTAL NONOPERATING REVENUES (EXPENSES)	(37,500)	69,583	107,083
INCOME BEFORE CAPITAL CONTRIBUTION	4,735	139,217	134,482
CAPITAL CONTRIBUTIONS			
Capital contributions from Tennessee Emergency Communications Board	-	25,259	25,259
CHANGE IN NET POSITION	4,735	164,476	159,741
NET POSITION - BEGINNING OF YEAR, as originally stated	1,234,702	1,234,702	-
PRIOR PERIOD ADJUSTMENT	-	(30,329)	(30,329)
NET POSITION - BEGINNING OF YEAR, as restated	1,234,702	1,204,373	(30,329)
NET POSITION - END OF YEAR	$ 1,239,437	$ 1,368,849	$ 129,412

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

HARDIN COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Hardin County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

Operating Expenses	
Salaries and Wages	
Director	$ 49,143
Administrative Personnel	49,844
Dispatchers	247,927
Total Salaries and Wages	346,914
Employee Benefits	
Social Security	21,303
Medicare	4,982
Medical Insurance	66,298
Dental Insurance	2,317
Unemployment Compensation	2,267
Employee Medical Physicals	260
Retirement Expense	13,189
Total Employee Benefits	110,616
Contracted Services	
Addressing/Mapping Expenses	1,684
Advertising	166
Audit Services	4,000
Accounting Services	1,402
Administrative Fees - Service Charges	894
Fees Paid to Service Providers	38,622
Mapping/Data Base Consultants	3,900
Other Consultants - Technical Services	1,500
Maintenance and Repairs-Buildings and Facilities	7,538
Maintenance and Repairs-Radio Equipment	13,977
Maintenance and Repairs-Vehicles	6,616
Maintenance and Repairs-Consultants	15,154
Total Contracted Services	95,453
Supplies and Materials	
Office Supplies	3,849
Custodial Supplies	1,369
Data Processing Supplies	5,446
Postage	135
Small Equipment Purchases	55,760
Uniforms and Shirts	1,354
Utilities-Electric	10,287
Utilities-Gas	30
Utilities-Water and Sewer	1,206
Utilities-General Telephone	7,547
Utilities-Cell Phones and Pagers	2,353
Total Supplies and Materials	89,336
Other Charges	
Bank Charges	630
Dues and Memberships	290
Insurance-Workmans Comp	2,216
Insurance-Liability	6,476
Premiums on Surety Bonds	1,138
Service Awards	480
Training Expenses	5,189
Travel Expenses	4,349
Internet Charges	3,481
Total Other Charges	24,249
Depreciation	
Depreciation	105,499
Total Depreciation	105,499
Amortization	
Amortization	307
Total Amortization	307
Total Operating Expenses	$ 772,374

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, 2013

Year Ended June 30,	Revenue Bonds Payable		
	Principal	Interest	Totals
2014	$ 30,000	$ 44,881	$ 74,881
2015	30,000	44,356	74,356
2016	30,000	43,831	73,831
2017	30,000	43,006	73,006
2018	30,000	42,181	72,181
2019	35,000	41,356	76,356
2020	35,000	40,394	75,394
2021	35,000	39,300	74,300
2022	35,000	38,206	73,206
2023	35,000	37,113	72,113
2024	40,000	35,931	75,931
2025	40,000	34,581	74,581
2026	40,000	33,231	73,231
2027	40,000	31,781	71,781
2028	45,000	30,332	75,332
2029	45,000	28,700	73,700
2030	45,000	26,900	71,900
2031	50,000	25,100	75,100
2032	50,000	23,100	73,100
2033	55,000	21,038	76,038
2034	55,000	18,769	73,769
2035	60,000	16,500	76,500
2036	60,000	14,025	74,025
2037	60,000	11,475	71,475
2038	65,000	8,925	73,925
2039	70,000	6,162	76,162
2040	75,000	3,188	78,188
	$ 1,220,000	$ 784,362	$ 2,004,362

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

GODWIN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 Main Street, Savannah, Tennessee 38372
Phone 731.925.6547 Fax 731.925.9524

INDEPENDENT AUDITOR'S 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, 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, 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, 2013, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.*

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2013-01 UNINSURED AND UNCOLLATERALIZED DEPOSITS
Deposits were in excess of the amount insured by FDIC insurance and pledged collateral.

Recommendation: We recommend that the District monitor necessary collateral throughout the year and at year end to obtain the proper amount of collateral to be fully insurance and collateralized.

Management's Response: We have corrected this by having our local bank pledge an additional $250,000 in our name.

District's Response to Findings

The District's response to the finding identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DISPOSITION OF PRIOR AUDIT FINDINGS:
2012-01 AUTHORIZED PERSONNEL NOT ADEQUATELY BONDED – corrected.

Godwin & Associates, PLLC

November 21, 2013