

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS**

Introductory Section

Schedule of Officials

Financial Section

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Statement of Net Position.....	8
Statement of Revenues, Expenses and Change in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Required Supplemental Information	
Schedule of Funding Progress	17

Supplementary Information Section

Budgetary Comparison Schedule (Budgetary Basis).....	18
Schedule of Expenses.....	20

Internal Control and Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	22
Schedule of Findings and Questioned Costs	24

INTRODUCTORY SECTION

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

June 30, 2014

SCHEDULE OF OFFICIALS

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

Management Official

Mary Henderson, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:
American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

Independent Auditor's Report

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Hardeman County Emergency Communications District, a component unit of Hardeman County, Tennessee, as of and for the year ended June 30, 2014, 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 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 from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardeman County Emergency Communications District, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4-7 and 17 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 an opinion on the financial statements that collectively comprise the Hardeman County Emergency Communication District's basic financial statements. The schedule of officials, schedule of expenses and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and the schedule of expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 budgetary comparison schedule and schedule of expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials 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 September 9, 2014 on our consideration of the Hardeman County Emergency Communications 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 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 Hardeman County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee

September 9, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hardeman County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$1.19 million and exceeded liabilities in the amount of \$1.18 million (i.e. net position).
- Net position increased \$48 thousand during the current year.
- During fiscal year 2014, the District answered 18,573 calls and approximately 15,099 calls during 2013.
- Operating revenues were \$356 thousand, a decrease from year 2013 in the amount of \$29 thousand or 7.60%.
- Operating expenses were \$314 thousand, an increase over year 2013 in the amount of \$6 thousand or 1.88%.
- The operating income for the year was \$42 thousand as compared to \$77 thousand during the 2013 fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The Annual Financial Report is made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary information section, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The supplementary information section includes selected financial and operational information. The internal control section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Net Position* presents the financial position of the District on a full accrual historical cost basis. The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provides required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary Schedules comparing the budget to actual and detailed expenses are also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net position increased by \$48 thousand or 4.28% for the fiscal year ended June 30, 2014. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Current and other assets	\$ 862,669	\$ 741,640	\$ 121,029	16.32%
Capital assets	323,547	398,719	(75,172)	-18.85%
Total assets	<u>1,186,216</u>	<u>1,140,359</u>	<u>45,857</u>	4.02%
Total Liabilities	<u>7,825</u>	<u>10,347</u>	<u>(2,522)</u>	-24.37%
Net position	<u>\$ 1,178,391</u>	<u>\$ 1,130,012</u>	<u>\$ 48,379</u>	4.28%

The decrease in capital assets was due to the continued depreciation of the District's assets and the District's system upgrade in the previous year

Changes in the District's net position can be determined by reviewing the following condensed statement of revenues, expenses and changes in net position for the years.

Table 2
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Operating revenues	\$ 355,615	\$ 384,881	\$ (29,266)	-7.60%
Non-operating revenues	6,703	6,895	(192)	-2.78%
Total revenues	<u>362,318</u>	<u>391,776</u>	<u>(29,458)</u>	-7.52%
Salaries and wages	77,534	75,511	2,023	2.68%
Employee benefits	17,940	17,076	864	5.06%
Contracted services	87,991	78,877	9,114	11.55%
Supplies and materials	10,751	12,759	(2,008)	-15.74%
Other charges	22,813	17,481	5,332	30.50%
Depreciation	96,910	106,502	(9,592)	-9.01%
Total expenses	<u>313,939</u>	<u>308,206</u>	<u>5,733</u>	1.86%
Change in net position	48,379	83,570	(35,191)	-42.11%
Beginning net position	<u>1,130,012</u>	<u>1,046,442</u>	<u>83,570</u>	7.99%
Ending net position	<u>\$ 1,178,391</u>	<u>\$ 1,130,012</u>	<u>\$ 48,379</u>	4.28%

Operating revenues showed a 7.60% decrease from 2013 to 2014. This decrease is due to fewer reimbursements from Tennessee Emergency Communications Board. Expenses showed a 1.86% increase from 2013 to 2014. The increase was primarily due to the District upgrading software through contracted services. Ending net position showed an increase of 4.28%.

CAPITAL ASSETS

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of fiscal year 2014, the system had \$324 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes an office building, automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall decrease (net of increases and decreases) of \$75 thousand or 18.85% over last year.

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2014. These changes are presented in detail in Note 3 to the financial statements.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Office building	\$ 39,249	\$ 33,898	\$ 5,351	15.79%
Furniture and fixtures	20,095	25,058	(4,963)	-19.81%
Office equipment	457	1,018	(561)	-55.11%
Communication equipment	257,317	329,348	(72,031)	-21.87%
Vehicles	6,429	9,397	(2,968)	-31.58%
Total capital assets	\$ 323,547	\$ 398,719	\$ (75,172)	-18.85%

District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District expects the wireless money to continue to increase in future years along with the additional funding from voice over internet protocol that is also considered state shared revenues. The District anticipates continued decline in the landline revenues as more people and telecommunication companies move to the above mentioned state shared methods.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Hardeman County Emergency Communications District, 120 N. Washington, Bolivar, TN 38008.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

Assets

Current Assets

Cash and cash equivalents	\$ 635,006
Certificate of deposits	201,147
Accounts receivable	7,126
Accrued interest receivable	509
Prepaid expenses	<u>18,881</u>

Total current assets 862,669

Capital Assets

Office building	81,999
Furniture and fixtures	66,009
Office equipment	9,721
Communications equipment	527,898
Vehicles	<u>14,838</u>
Total capital assets	700,465
Less - accumulated depreciation	<u>(376,918)</u>

Net capital assets 323,547

Total assets **1,186,216**

Liabilities

Current Liabilities

Accounts payable	1,665
Compensated absences payable	<u>6,160</u>

Total liabilities **7,825**

Net Position

Investment in capital assets	323,547
Unrestricted net position	<u>854,844</u>

Total net position **\$ 1,178,391**

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2014

Operating revenues	
Emergency telephone service charge	\$ 84,074
State emergency communications board - shared wireless charge	69,417
State emergency communications board - operational funding	<u>202,124</u>
Total operating revenues	<u>355,615</u>
Operating expenses	
Salaries and wages	77,534
Employee benefits	17,940
Contracted services	87,993
Supplies and materials	10,751
Other charges	22,812
Depreciation	<u>96,910</u>
Total operating expenses	<u>313,940</u>
Operating income (loss)	41,675
Non-operating revenues (expenses)	
Interest income	<u>6,703</u>
Total non-operating revenues	<u>6,703</u>
Change in net position	48,378
Net position, July 1, 2013	<u>1,130,012</u>
Net position, June 30, 2014	<u>\$ 1,178,391</u>

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Cash received from telephone companies and state	\$ 356,512
Cash paid to suppliers of goods and services	(121,405)
Cash paid for employees services	<u>(97,100)</u>
Net cash provided by operating activities	<u>138,007</u>
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(21,738)</u>
Net cash used by capital and related financing activities	<u>(21,738)</u>
 Cash flows from investing activities:	
Purchase of investments	(201,147)
Sale of investments	60,782
Interest on investments	<u>6,203</u>
Net cash used by investing activities	<u>(134,162)</u>
 Net decrease in cash and cash equivalents	 (17,893)
Cash and cash equivalents, July 1, 2013	<u>652,898</u>
Cash and cash equivalents, June 30, 2014	<u>635,006</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	41,675
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	96,910
Interest Income	
Changes in assets and liabilities:	
Accounts receivable	897
Prepays	1,047
Accounts payable	(896)
Payroll payable	(1,554)
Compensated absences	<u>(72)</u>
Net cash provided by operating activities	<u>\$ 138,007</u>

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Reporting Entity

The Hardeman County Emergency Communications District (a component unit of Hardeman County, Tennessee) (the District) was established by voter referendum in November 1988, and the assessment of service fees began November 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Hardeman County, Tennessee.

The District is considered a component unit of Hardeman County because the Board of Directors of the District is appointed by the County Commission; the County Commission has the authority to adjust the rates charged by the District; and the County Commission must approve any debt issued by the District.

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

The District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the *Governmental Audit Standards Board* (GASB). Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Assets, Liabilities, and Net Position

Deposits and Investments

Cash and cash equivalents include amounts in demand deposits as well as deposits with original maturities of three months or less.

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool and certificates of deposit.

Accounts Receivable and Credit Risk

Accounts receivable represents amounts due from telephone companies less applicable commissions.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Capital Assets

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. Any purchase of equipment, either for office or system use, purchased at a price in excess of \$5,000 and with a expected life span of 5 years or greater shall be considered a capital asset and carried on the books as such.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

Buildings	30 Years
Equipment, Furniture & Fixtures	5 to 7 Years
Vehicles	5 Years

Compensated Absences

The District allows full-time employees 8 hours of vacation per month for 1-10 years of service, and 12 hours per month for 10-20 years of service. The vacation days will have monetary value, and may be accrued; however, maximum accrual is 24 days for 1-10 years of service and 30 days for 10-20 years of service. A liability is reflected in the financial statements for \$6,160.

The District allows employees to accrue 8 hours per month sick leave. These days can be accrued; however, they have no monetary value except for the purpose granted, or at time of retirement. Therefore, no liability is reflected in the financial statements.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2014, the district adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of financial 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 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, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period 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, 2014.

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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

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

Impact of Recently Issued Accounting Pronouncements

In March of 2012, the GASB issued statement no. 65 – Items previously reported as assets and liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. As of June 30, 2014, the District has no items affected by the changes.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communication Board and the Tennessee Code Annotated § 7-86-120. This budget is adopted on a other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for capital assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents.

State statutes also authorize the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, \$820,562 of the District's bank balance was covered by federal depository insurance. \$26,770 was covered by the Tennessee Bank Collateral Pool at June 30, 2014.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

B. Capital Assets

Changes in capital assets for the period from July 1, 2013 to June 30, 2014, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capitla assets being depreciated				
Office building	\$ 72,671	\$ 9,328	\$ -	\$ 81,999
Furniture and fixtures	66,009	-	-	66,009
Office equipment	9,721	-	-	9,721
Communications equipment	515,488	12,410	-	527,898
Vehicles	14,838	-	-	14,838
Total capital assets being depreciated	<u>678,727</u>	<u>21,738</u>	<u>-</u>	<u>700,465</u>
Less accumulated depreciation				
Office building	38,773	3,977	-	42,750
Furniture and fixtures	40,951	4,963	-	45,914
Office equipment	8,703	561	-	9,264
Communications equipment	186,140	84,441	-	270,581
Vehicles	5,441	2,968	-	8,409
Total accumulated depreciation	<u>280,008</u>	<u>96,910</u>	<u>-</u>	<u>376,918</u>
Total capital assets, net	<u>\$ 398,719</u>	<u>\$(75,172)</u>	<u>\$ -</u>	<u>\$ 323,547</u>

C. Operating Leases

The District entered into a 63 month lease on September 9, 2013 for a copy machine. The lease requires a monthly payment of \$90, and the current lease expense is \$970. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2015	\$ 1,080
2016	1,080
2017	1,080
2018	1,080
2019	450

NOTE 4 – OTHER INFORMATION

Funding Sources

Funds for operations are provided by monthly fees from service users in Hardeman County and by the Tennessee Emergency Communications Board. Service suppliers in Hardeman County

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

collect the service fees and remit the funds to the District. The service suppliers retain one percent of the collections as an administrative fee.

The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and voice over internet protocol services and remits a set percentage to the District.

Retirement Plan

Plan Description: Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>

Funding Policy: The District requires employees to contribute 5.0% 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 15.19% percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost: For the year ending June 30, 2013, the District's annual pension cost of \$11,233 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 initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 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

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities 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 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2013	\$ 11,233	100%	\$ -
June 30, 2012	10,810	100%	\$ -
June 30, 2011	11,067	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date available, the plan was 86.51 percent funded. The actuarial accrued liability for benefits was \$0.18 million, and the actuarial value of assets was \$0.16 million, resulting in a unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.07 million, and the ratio of the UAAL to the covered payroll was 34.52 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.

Actuarial Valuation <u>Date</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(AAL)-Entry Age</u> <u>(b)</u>	Unfunded AAL <u>(UAAL)</u> <u>(b)-(a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a percentage of Covered Payroll <u>((b-a)/c)</u>
July 1, 2011	\$ 159,000	\$ 184,000	\$ 25,000	86.51%	\$72,000	34.52%
July 1, 2009	\$ 126,000	\$ 153,000	\$ 27,000	82.41%	\$62,000	43.42%
July 1, 2007	\$ 108,000	\$ 137,000	\$ 29,000	78.83%	\$73,000	39.73%

Risk Management

The District is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the District purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

REQUIRED SUPPLEMENTAL INFORMATION

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FUNDING PROGRESS**

June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2011	\$ 159,000	\$ 184,000	\$ 25,000	86.51%	\$ 72,000	34.52%
7/1/2009	\$ 126,000	\$ 153,000	\$ 27,000	82.41%	\$ 62,000	43.42%
7/1/2007	\$ 108,000	\$ 137,000	\$ 29,000	78.83%	\$ 73,000	39.73%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

See independent auditor's report.

SUPPLEMENTARY INFORMATION SECTION

The supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Revenues				
Emergency telephone service charge	92,000	92,000	84,971	\$ (7,029)
State emergency communications board	50,000	50,000	69,417	19,417
State emergency communications board- operational funding	<u>183,791</u>	<u>183,791</u>	<u>202,124</u>	<u>18,333</u>
Total revenues	<u>325,791</u>	<u>325,791</u>	<u>356,512</u>	<u>30,721</u>
Expenditures				
Salaries and wages				
Salary director	47,292	47,292	46,841	(451)
Salary administrative personnel	30,315	30,315	30,255	(60)
Payroll expenses	510	510	510	-
Employee benefits				
Social security	6,000	6,000	4,812	(1,188)
Medicare	1,500	1,500	1,125	(375)
Medical insurance	200	220	215	(5)
Retirement contributions	15,000	15,000	11,788	(3,212)
Contracted services				
Addressing/mapping expense	2,000	2,000	600	(1,400)
Advertising	1,000	1,000	50	(950)
Audit service	4,400	4,400	4,316	(84)
Accounting	500	500	-	(500)
Data processing services	1,500	1,500	1,425	(75)
Fees paid to service providers	48,000	48,000	45,558	(2,442)
Impact payments	30,000	30,000	30,000	-
Janitorial Services	700	700	450	(250)
Legal services	1,000	1,000	500	(500)
Maintenance agreement	450	450	-	(450)
Mapping/Data base consult	1,000	1,000	-	(1,000)
Pest control	300	300	220	(80)
Lease/Rental - Office Equipment	-	1,000	970	(30)
Repair and maintenance				
Communications equipment	3,000	3,420	3,417	(3)
Buildings and facilities	5,000	5,000	565	(4,435)
Office equipment	500	500	-	(500)
Vehicles	1,000	1,000	89	(911)
Fuel & vehicles	2,000	2,000	1,049	(951)

See the independent auditor's report.

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Expenditures				
Supplies and materials				
Office supplies	3,500	1,880	1,547	(333)
Postage	250	250	207	(43)
Other charges				
Small equipment purchases	2,000	2,180	2,175	(5)
Utilities	5,000	5,000	3,477	(1,523)
Telephone	3,500	3,500	2,693	(807)
Cell Phone	2,000	2,000	694	(1,306)
Board meeting expenses	2,000	2,000	398	(1,602)
Dues and memberships	2,500	2,500	1,864	(636)
Insurance				
Workers' comp	510	1,500	413	(1,087)
Liability	1,500	1,500	913	(587)
Building and contents	3,500	3,500	2,092	(1,408)
Vehicles	1,900	1,900	1,516	(384)
Premiums on surety bonds	2,000	2,000	839	(1,161)
Public education	700	700	665	(35)
Training expenses	6,000	6,000	3,618	(2,382)
Travel expenses	10,000	10,000	7,825	(2,175)
Internet charges	2,100	2,100	1,260	(840)
Capital expenditures	15,000	22,410	21,738	(672)
Total expenditures	<u>267,127</u>	<u>275,527</u>	<u>238,689</u>	<u>(36,838)</u>
Operating income - budgetary basis	<u>58,664</u>	<u>50,264</u>	<u>117,823</u>	<u>67,559</u>
Other Revenues (expenditures)				
Interest income	<u>4,000</u>	<u>4,000</u>	<u>6,203</u>	<u>2,203</u>
Change in net position - budgetary	<u>\$ 62,664</u>	<u>\$ 54,264</u>	<u>124,026</u>	<u>69,762</u>
Adjustments For:				
Revenues to accrual basis			(396)	
Expenses to accrual basis			(79)	
Depreciation expense			(96,910)	
Reclassification of capital expenditures to capital assets			<u>21,738</u>	
Change in net position			<u>48,378</u>	

See the independent auditor's report.

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

For the Year Ended June 30, 2014

Salaries and wages		
Salary director		\$ 46,769
Salary administrative personnel		30,255
Payroll expenses		510
		<u>\$ 77,534</u>
 Employee benefits		
Social security		\$ 4,812
Medicare		1,125
Medical insurance		215
Retirement contributions		11,788
		<u>\$ 17,940</u>
 Contracted services		
Addressing/mapping expense		\$ 600
Advertising		50
Audit service		4,316
Data processing services		1,425
Fees paid to service providers		43,989
Copier Service		970
Impact payments		30,000
Janitorial Services		450
Legal services		500
Pest control		220
Repair and maintenance		
Communications equipment		3,732
Buildings and facilities		565
Vehicles		74
Fuel & vehicles		1,102
		<u>\$ 87,993</u>
 Supplies and materials		
Office supplies		\$ 1,547
Postage		207
Small equipment purchases		2,175
Utilities		3,267
Telephone		2,782
Cell Phone		773
		<u>\$ 10,751</u>

See the independent auditor's report.

HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES
For the Year Ended June 30, 2014

Other charges	
Board meeting expenses	\$ 356
Dues and memberships	1,864
Insurance	
Workers' comp	413
Liability	974
Building and contents	2,232
Vehicles	1,618
Premiums on surety bonds	1,190
Public education	665
Training expenses	3,618
Travel expenses	8,569
Internet charges	1,313
	<u>\$ 22,812</u>

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

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
Hardeman County Emergency Communications District
Bolivar, Tennessee

We have audited, in accordance with the 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 Hardeman County Emergency Communications District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hardeman County Emergency Communications District's basic financial statements, and have issued our report thereon dated September 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardeman County Emergency Communications 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardeman County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardeman County Emergency Communications 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 Hardeman County Emergency Communications 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
September 9, 2014

**HARDEMAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Current Year Findings

There were no current year findings.

Prior Year Findings

There were no prior year findings.