

**HAMILTON COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT**

Chattanooga, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

June 30, 2008 and 2007

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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HAMILTON COUNTY “911” EMERGENCY COMMUNICATIONS DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hamilton County “911” Emergency Communications District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2008. This should be read in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The balance sheets and statements of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District’s finances.

THE BALANCE SHEETS AND THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

One of the most important questions asked about an entity’s finances is “How did we do this year?” The balance sheet and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District’s net assets and changes in it. Net assets – the difference between assets and liabilities – are one way to measure the District’s financial health, or its financial position. Over time, increases or decreases to the District’s net assets are an indicator of whether its financial health is improving or deteriorating. Net assets and changes in net assets are analyzed on the following page.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As a result of excess revenues over expenses for the fiscal year ended June 30, 2008, the District’s net assets increased by approximately \$1.9 million over the previous year.

THE DISTRICT’S NET ASSETS

The District completed the year with net assets of \$18,857,921 which is approximately \$1.9 million more than the prior year ending net assets of \$16,961,687. Unrestricted net assets includes approximately \$1,300,000, which is designated by the Board for specific uses and is not available to fund future operations or capital improvements.

Net assets and changes in net assets for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
NET ASSETS:		
Current and other assets	\$ 13,740,425	\$ 11,521,880
Capital assets	<u>5,295,550</u>	<u>5,486,278</u>
Total assets	19,035,975	17,008,158
Current liabilities	<u>(178,054)</u>	<u>(46,471)</u>
Net assets	<u>\$ 18,857,921</u>	<u>\$ 16,961,687</u>
Summary of net assets-		
Invested in capital assets	\$ 5,295,550	\$ 5,486,278
Unrestricted	<u>13,562,371</u>	<u>11,475,409</u>
	<u>\$ 18,857,921</u>	<u>\$ 16,961,687</u>
CHANGES IN NET ASSETS:		
Revenues	\$ 5,329,802	\$ 5,598,189
Operating expenses	<u>2,878,006</u>	<u>2,566,263</u>
Operating income	2,451,796	3,031,926
Nonoperating revenues over (under) operating expenses	<u>(555,562)</u>	<u>(645,995)</u>
Changes in net assets	1,896,234	2,385,931
NET ASSETS:		
Beginning	<u>16,961,687</u>	<u>14,575,756</u>
Ending	<u>\$ 18,857,921</u>	<u>\$ 16,961,687</u>

BUDGETARY HIGHLIGHTS

In order to fund unanticipated, changing needs and to prevent budget overruns, the budget for June 30, 2008, was amended between expense line items.

The line item for contingency is planned during budget preparation to cover unplanned or unusual expenses, and to fund unanticipated increases in other line items, so that the overall budget does not require an increase. Budget revisions decreased the contingency of \$200,000 to \$14,711, with no increase to the total budgeted expenses.

The actual charges to appropriations (expenses) were approximately \$1 million below the final budgeted amount. Salaries and other personnel costs were under the amount budgeted by approximately \$60,000, as a result of group insurance and retirement being less than anticipated. Expense for maintenance agreements was under budget by approximately \$120,000, as an anticipated maintenance agreement was not initiated during the year due to a dispute over the completion of a related project. The expense for other consulting services was less than the amount budgeted by approximately \$50,000, due to additional staff who were able to perform some of these services. Public education expenses were under budget by \$65,000, as planned public education has continued to be moved forward. Capital outlay expense was under budget by approximately \$570,000, as certain, planned capital projects were not realized. Other budget variances are not considered significant and, therefore, are not addressed here.

Expenses of \$3,886,765, reported on page 11, differ from the District's budgeted expenses of \$3,696,037. This difference arises because depreciation and amortization, which are expensed for generally accepted accounting purposes, are not budget items, and capital outlay, which is not expensed for generally accepted accounting purposes, is a budget line item.

Actual revenues, in total, exceeded budgeted revenues by approximately \$130,000, with operating revenues being under budget by approximately \$120,000, and interest income being over budget by approximately \$250,000.

CAPITAL ASSETS

At June 30, 2008, the District had \$10,554,763 invested in capital assets such as telecommunications equipment, office equipment, and building improvements. This amount represents a net decrease of \$681,955, consisting of purchases of approximately \$809,000 and retirements of approximately \$127,000.

The District's fiscal year 2009 capital budget calls for it to spend approximately \$1.1 million, for capital projects, including upgrades to equipment, as well as additional equipment and building improvements necessary as a result of the plans for unified dispatching.

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND PLANNING FOR FUTURE NEEDS

Hamilton County “911” Emergency Communications District has a policy of being pro-active by making and prioritizing long-range goals, and continues to make extensive financial plans to meet these goals. The implementation of unified dispatching will be completed during the 2009 fiscal year. The planned unification is expected to improve operational performance of 911 services for Hamilton County. As a result of the planned unification, the District has plans for a new dispatch center to accommodate current operational needs, as well as the need for additional space under unified emergency communications operations. The District also has plans in the near future for replacement of CAD system software and hardware

As discussed further in Note 7, the District has radio communication agreements with the City of Chattanooga and Hamilton County, the purpose of which is to partially reimburse the City and County for the District wide 800 MHz radio system. The annual cost of these agreements is \$1,008,759 for the years ending June 30, 2009 and 2010, \$400,000 for the year ending June 30, 2011, and \$200,000 for the year ending June 30, 2012.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

We have audited the accompanying financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Hamilton County "911" Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton County "911" Emergency Communications District, as of June 30, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2009, on our consideration of Hamilton County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenses and schedule of budget to actual have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole. The information relative to operations has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Johnson, Neikay & Menckson, P.C.

March 23, 2009

FINANCIAL STATEMENTS

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

ASSETS

	2008	2007
CURRENT ASSETS:		
Cash	\$ 877,260	\$ 850,513
Certificates of deposit and money market accounts	12,359,920	9,948,639
Accounts receivable - telephone service charges	356,310	370,758
Accounts receivable - other	37,979	197,485
Prepaid expenses	25,852	62,019
Accrued interest receivable	83,104	92,466
Total current assets	13,740,425	11,521,880
CAPITAL ASSETS		
Leasehold improvements	4,250,022	4,097,358
Furniture and fixtures	189,546	182,422
Office equipment	108,235	59,958
Communications equipment and software	5,990,247	5,516,357
Vehicles	16,713	16,713
	10,554,763	9,872,808
Less accumulated depreciation and amortization	5,259,213	4,386,530
Capital assets, net	5,295,550	5,486,278
Total assets	\$ 19,035,975	\$ 17,008,158

(The accompanying notes are an integral part of these statements.)

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
REVENUES:		
Emergency telephone service charges	\$ 3,706,321	\$ 3,878,285
State Emergency Communications Board -		
Shared wireless charge	700,287	635,885
Operational funding	918,619	918,619
Other income	4,575	165,400
	5,329,802	5,598,189
OPERATING EXPENSES		
Salaries and benefits	588,818	291,475
Contracted services	665,478	785,459
Supplies and materials	539,166	486,156
Other	84,360	53,128
Depreciation and amortization	1,000,184	950,045
	2,878,006	2,566,263
OPERATING INCOME	2,451,796	3,031,926
NONOPERATING REVENUE (EXPENSE):		
Interest income	453,197	362,764
Payments for 800 MHz project		
City of Chattanooga	(808,759)	(808,759)
Hamilton County	(200,000)	(200,000)
	(555,562)	(645,995)
CHANGE IN NET ASSETS	1,896,234	2,385,931
NET ASSETS:		
Beginning	16,961,687	14,575,756
Ending	\$ 18,857,921	\$ 16,961,687

(The accompanying notes are an integral part of these statements.)

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,720,769	\$ 3,872,620
Receipts from State for shared wireless revenues and operational funding	1,618,906	1,554,504
Receipts from others	169,342	166,293
Payments to suppliers and others	(1,229,775)	(1,454,028)
Payments for employees	(485,558)	(289,996)
Payments to City and County	<u>(1,008,759)</u>	<u>(1,008,759)</u>
 Net cash provided by operating activities	 <u>2,784,925</u>	 <u>2,840,634</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	<u>(809,456)</u>	<u>(332,833)</u>
 Net cash used by capital and related financing activities	 <u>(809,456)</u>	 <u>(332,833)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	462,559	303,936
Investment in certificates of deposit and money market accounts	<u>(2,411,281)</u>	<u>(2,602,221)</u>
 Net cash used by investing activities	 <u>(1,948,722)</u>	 <u>(2,298,285)</u>
 NET INCREASE IN CASH	 26,747	 209,516
 CASH:		
Beginning	<u>850,513</u>	<u>640,997</u>
Ending	<u>\$ 877,260</u>	<u>\$ 850,513</u>

(The accompanying notes are an integral part of these statements.)

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	\$ 2,451,796	\$ 3,031,926
Adjustments to reconcile income from operations to net cash provided by operating activities -		
Depreciation and amortization	1,000,184	950,045
Payments for 800 MHz project	(1,008,759)	(1,008,759)
Net (increase) decrease in operating assets:		
Accounts receivable	173,954	(128,525)
Prepaid expenses	36,167	(39,155)
Net increase (decrease) in operating liabilities:		
Accounts payable	28,323	34,968
Accrued payroll and payroll taxes	43,319	134
Accumulated leave and related benefits	<u>59,941</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 2,784,925</u>	<u>\$ 2,840,634</u>

(The accompanying notes are an integral part of these statements.)

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

Public chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone service; to provide for the funding of such services and such district; and to provide for the funding of a telephone service charge. On November 6, 1984, the voters of Hamilton County, Tennessee approved the establishment of such a district.

Financial Reporting Entity -

The District is a component unit of Hamilton County, Tennessee. Members of the Board of Directors of Hamilton County "911" Emergency Communications District are appointed by the County Mayor of Hamilton County, Tennessee, with the approval of the County Board of Commissioners. The Board of Commissioners must also approve bonds and notes which pledge District revenue.

Basis of Accounting -

The District is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the District uses the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. Operating revenues are those that result from the activities of the District, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered nonoperating.

In addition to GASB pronouncements, the District is subject to all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District does not follow FASB pronouncements issued subsequent to November 30, 1989.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates -

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Accounts receivable -

Accounts receivable for telephone service charges and other is reported at the outstanding principal amount. Uncollectible accounts, if any, are accounted for by the direct write-off method, which would produce no material differences from the allowance method.

Capital Assets -

The District capitalizes significant purchases of capital assets which are recorded at cost. Depreciation is provided over the estimated useful lives of individual assets by the straight-line method.

Capital assets include the "911" database and other software. Amortization is recorded over periods of 5 to 20 years, based upon the estimated service period.

Depreciation and amortization expense was \$701,135 and \$299,049, respectively, for the year ended June 30, 2008; and \$640,383 and \$309,662, respectively, for the year ended June 30, 2007.

The amount budgeted for acquisitions for the years ended June 30, 2008 and 2007, was \$1,384,764 and \$805,000, respectively. Actual acquisitions for the same years were \$809,566 and \$332,833, respectively.

Cash and cash equivalents -

For purposes of these financial statements, the District does not consider certificates of deposit, savings accounts, or investments with the Local Government Investment Pool to be cash equivalents.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(2) BUDGETARY CONTROL:

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. The District does not budget depreciation, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of capital assets. Budgeted expenses may be amended, as needed, to meet changing needs.

(3) BOARD DESIGNATED RESERVES:

Included in investments are certificates of deposit and money market accounts are funds that have been set aside by the Board for the following uses -

An operational reserve has been established to provide funds for capital expansion and for operational expenses, in the event that the District needs reserved funds to enable it to carry on its operations. The assets are intended to fund future capital and operational needs, if needed, and, at June 30, 2008, consist of investments with the State of Tennessee Local Government Investment Pool in the amount of \$4,582,577, a money market fund in the amount of \$320,506, certificates of deposit in the amount of \$6,136,342, and accrued interest in the amount of \$83,104.

A risk management reserve has been established to provide for a liability plan with limited coverage for torts and other liabilities, and error and omissions of board members, employees and authorized volunteers. The assets are intended to fund risk management claims and, at June 30, 2008, consist of a money market fund in the amount of \$700,000 and a certificate of deposit in the amount of \$525,240.

A life insurance reserve has been established to provide coverage in the amount of \$10,000 on the life of each employee. The assets are intended for payment only in the event of the death of an employee and, at June 30, 2008, consist of a certificate of deposit in the amount of \$95,255.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(4) EXPENSE REIMBURSEMENTS AND RELATED ACCOUNTS RECEIVABLE:

The District incurs costs relative to personnel, utilities, and other, some of which are reimbursed by Hamilton County and the City of Chattanooga, and credited to the appropriate expense accounts. As of and for the years ended June 30, 2008 and 2007, these transactions and balances were as follows -

	<u>2008</u>	<u>2007</u>
Reimbursements:		
City of Chattanooga	\$ 138,631	\$ 108,643
Hamilton County	\$ 16,576	\$ 15,096
Accounts receivable:		
City of Chattanooga	\$ 36,520	\$ 47,485
Hamilton County	\$ 1,405	\$ -

(5) CHANGES IN CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2008, are as follows -

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Capital assets:				
Leasehold improvements	\$4,097,358	\$ 152,664	\$ -	\$ 4,250,022
Furniture and fixtures	182,422	11,418	4,294	189,546
Office equipment	59,958	48,277	-	108,235
Communications equipment and software	5,516,357	597,097	123,207	5,990,247
Vehicles	16,713	-	-	16,713
	<u>9,872,808</u>	<u>809,456</u>	<u>127,501</u>	<u>10,554,763</u>
Less accumulated depreciation and amortization:				
Leasehold improvements	1,261,286	130,439	-	1,391,725
Furniture and fixtures	138,271	6,101	4,294	140,078
Office equipment	30,104	10,232	-	40,336
Communications equipment and software	2,941,270	852,298	123,207	3,670,361
Vehicles	15,599	1,114	-	16,713
	<u>4,386,530</u>	<u>1,000,184</u>	<u>127,501</u>	<u>5,259,213</u>
	<u>\$5,486,278</u>	<u>\$ (190,728)</u>	<u>\$ -</u>	<u>\$ 5,295,550</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008 AND 2007**

(6) COMPENSATED ABSENCES:

The District's employees are paid compensated leave benefits based upon a prescribed formula, and the benefits are accrued as employees earn the right to them.

(7) RADIO COMMUNICATION AGREEMENTS:

In order to provide better service to the City of Chattanooga, Tennessee and Hamilton County, Tennessee, the District has radio communication agreements with the City and the County. The purpose of the agreements is to partially reimburse the City and County for their acquisition and installation of a District wide 800 MHz radio system.

An agreement entered into in 1998 requires the District to pay a total of \$3,000,000 to the City of Chattanooga, with an initial payment of \$400,000 in the year ended June 30, 1999, and \$200,000 per year for the years ended June 30, 2000 through 2011. The agreement with the City ends on August 31, 2010.

The 1998 agreement requires the District to pay a total of \$3,000,000 to Hamilton County, with an initial payment of \$200,000 in the year ended June 30, 1999, and \$200,000 per year for the years ended June 30, 2000 through 2012. The agreement with the County ends on August 31, 2011.

An agreement entered into in 2005 requires the District to pay a total of \$3,043,795 to the City or the County, with five annual payments of \$608,759, beginning July 1, 2005.

The District is obligated to make these payments so long as it exists and has sufficient revenue after meeting its operational requirements.

Commitments relative to these agreements are as follows -

For the year ending June 30, 2009	\$1,008,759
2010	1,008,759
2011	400,000
2012	<u>200,000</u>
	<u>\$2,617,518</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(8) LEASED PREMISES:

The District's operating premises, which include administrative offices and the primary communications center, are located on real property owned by the City of Chattanooga, Tennessee. A lease agreement between the two entities provides that no rent shall be charged the District as consideration, provided that all costs of construction and maintenance of the communications center are paid by the District. The termination of the communications agreement, referred to in Note (7), shall not be deemed a failure of consideration. The term of the lease, which originated April 5, 1994, is for a period of forty years. The District shall have the option to renew for two consecutive terms of forty years each upon the same terms and conditions as set forth in the lease agreement, subject to approval of the City's governing body. According to the terms of the agreement, the District shall not enter into a communication agreement with any other governmental entity for a term which extends beyond the term of this lease.

Additionally, the District is provided, and has renovated for its use as a backup communications center, a portion of a building owned by Hamilton County. The use is for an indeterminate period of time, and the District is responsible for all maintenance on the portion that it uses.

(9) CASH AND INVESTMENTS:

The District has implemented GASB Statement Number 40, "Deposit and Investment Risk Disclosures", which eliminated or modified portions of the disclosures previously required by GASB Statement Number 3. GASB Statement Number 40 is designed to improve financial reporting of deposit and investment risks.

At June 30, 2008, the District's investments consist of the following -

	Weighted Average Maturity (Years)	Fair Value
Investment in State of Tennessee		
Local Government Investment Pool	0.00	\$ 4,582,580
Certificates of deposit and money market accounts	0.21	7,777,340
Total	0.31	\$12,359,920

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(9) CASH AND INVESTMENTS (Continued):

Interest Rate Risk - As a means of limiting its exposure to losses resulting from rising interest rates, the District's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The District's investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the District may participate. The District limits its investments to certificates of deposit and savings and money market accounts with local banks and the State of Tennessee local government pooled investment fund.

Credit Risk - The District's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. The State of Tennessee Local Government Investment Pool is a 2a7-like pool, which is not rated.

At June 30, 2008, investments in certificates of deposit and money market accounts consist of the following -

<u>Financial Institution</u>	<u>Type of Instrument</u>	<u>Interest</u>	<u>Maturity Date</u>	<u>Amount</u>
First Volunteer Bank	Money market	variable	NA	\$1,020,506
First Volunteer Bank	Certificate	4.10%	September 26, 2008	563,533
First Volunteer Bank	Certificate	5.10%	July 4, 2008	471,099
First Volunteer Bank	Certificate	5.00%	November 16, 2008	887,267
First Tennessee Bank	Certificate	3.65%	August 5, 2008	1,753,201
First Tennessee Bank	Certificate	2.92%	November 16, 2008	499,371
First Tennessee Bank	Certificate	5.45%	December 20, 2008	1,054,580
SunTrust Bank	Certificate	5.35%	December 1, 2008	907,291
AmSouth Bank	Certificate	4.44%	September 22, 2008	525,240
AmSouth Bank	Certificate	2.98%	September 14, 2008	95,255
				<u>\$7,777,343</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(10) RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has assets designated for certain aspects of risk management. The designation was established to provide for a liability plan with limited coverage to board members, employees, and authorized volunteers. In addition to assets designated for risk management, the District has designated assets to allow them to be self-insured for purposes of employee life insurance. Liabilities relative to risk management and life insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no claims for these limited areas of risk management, or for life insurance, since the inception of the Board designation.

The District has insurance coverage, subject to specified limits, for risks of other losses, including workers' compensation, general liability, personal property, and errors and omissions.

There have been no settlements in excess of insurance coverage during the three most recent fiscal years.

(11) RETIREMENT PLAN:

Plan Description -

Employees of Hamilton County "911" Emergency Communications 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 5 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 5 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 5 years of

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(11) RETIREMENT PLAN (Continued):

Plan Description (continued) -

service and members joining prior to July 1, 1979 were vested after 4 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 Hamilton County "911" Emergency Communications 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://treasury.state.tn.us/PS>.

Funding Policy -

Hamilton County "911" Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Hamilton County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 25.58% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamilton County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost -

For the year ending June 30, 2008, Hamilton County "911" Emergency Communications District's annual pension cost of \$67,654 to TCRS was equal to Hamilton County "911" Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(11) RETIREMENT PLAN (Continued):

Annual Pension Cost (continued) -

investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hamilton County "911" Emergency Communications 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, 2005 was 15 years. An actuarial valuation was performed as of July 1 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$67,654	100.00%	\$0.00
6/30/2007	\$42,540	100.00%	\$0.00
6/30/2006	\$21,037	100.00%	\$0.00

Funded Status and Funding Progress -

As of July 1, 2007, the most recent actuarial valuation date, the plan was 66.88% funded. The actuarial accrued liability for benefits was \$0.47 million, and the actuarial value of assets was \$0.32 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.16 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.18 million, and the ratio of the UAAL to the covered payroll was 85.25%.

The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(11) RETIREMENT PLAN (Continued):

Funded Status and Funding Progress (continued) -

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding status of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liab(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)
7/1/2007	\$315	\$471	\$156	66.88%	\$183	85.25%

Required Information: Schedule of Funding Progress -
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liab(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)
7/1/2007	\$315	\$471	\$156	66.88%	\$183	85.25%

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 period is presented.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

(12) COMMITMENTS AND CONTINGENCIES:

At June 30, 2008, the District has a construction commitment, for which work had not begun, in the amount of \$250,000.

At June 30, 2008, the District has a contract with a vendor for CAD and telephony expansion. The contract is approximately \$250,000, exclusive of a 3-year maintenance contract of \$114,000, which is not in effect, nor is it payable, until the project is completed and accepted. The vendor has submitted invoices in the amount of \$181,936, which the District has not paid based on non performance of the contract. The expansion project is in process at June 30, 2008, and no depreciation or amortization would be recorded. If the invoices were recorded, assets and liabilities would increase by \$181,936, with no effect on net assets.

Because of the dispute over nonperformance, the District has not paid other invoices from the same vendor. The vendor has submitted invoices for approximately \$21,000 for hardware and technical services. If these invoices were recorded, assets would increase by approximately \$18,000, liabilities would increase by approximately \$21,000, ad net assets would decrease by approximately \$3,000.

The District also has a maintenance contract with the same vendor for other existing systems. The contract fee, in the amount of \$120,000 for April through September, 2008, has not been paid based on the ongoing negotiations over the disputed project. If this invoice were recorded, assets would increase by approximately \$60,000, liabilities would increase by \$120,000, ad net assets would decrease by approximately \$60,000.

(13) RESTATEMENT OF PRIOR YEAR:

Certain amounts in the prior year have been restated for comparative purposes to conform to the current year presentation.

SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
Salaries and Benefits -		
Salaries	\$ 381,462	\$ 182,161
Payroll taxes	33,081	14,057
Group insurance	91,681	55,106
Retirement benefits	68,073	38,806
Other personnel costs	14,521	1,345
	588,818	291,475
Contracted Services -		
Auditing and accounting	7,790	6,725
Administrative fees - service charges	58,363	60,762
Data processing services	61,268	76,165
Telecommunications consulting	35,993	45,245
Other consulting	9,631	54,274
Janitorial services	31,805	30,660
Legal services	30,842	30,786
Maintenance agreements	387,355	422,663
Office equipment rental	5,964	1,297
Communications equipment repair	162	3,928
Office equipment repair	302	949
Building maintenance and repair	27,835	42,379
Grounds maintenance	8,168	9,626
	665,478	785,459
Supplies and Materials -		
Office supplies and postage	7,590	4,803
Custodial supplies	8,280	6,493
Communication supplies	10,638	16,444
Utilities	87,601	65,351
Telephone - communication	409,313	384,495
Telephone - administration	15,744	8,570
	539,166	486,156

	<u>2008</u>	<u>2007</u>
Other -		
Dues and memberships	\$ 2,780	\$ 1,393
Insurance	32,622	26,486
Legal notices	4,103	4,090
Public education	4,780	-
Seminars and workshops	7,435	4,310
Travel	22,900	11,269
Miscellaneous	<u>9,740</u>	<u>5,580</u>
	<u>84,360</u>	<u>53,128</u>
Depreciation and amortization	<u>1,000,184</u>	<u>950,045</u>
	<u>\$ 2,878,006</u>	<u>\$ 2,566,263</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget to Actual Variance</u>
REVENUES:				
Emergency telephone service charges	\$ 3,968,000	\$ 3,968,000	\$ 3,706,321	\$ (261,679)
State Emergency Communications Board -				
Shared wireless charge	561,000	561,000	700,287	139,287
Operational funding	918,619	918,619	918,619	-
Interest income	203,507	203,507	453,197	249,690
Other	-	-	4,575	4,575
Total revenues	<u>5,651,126</u>	<u>5,651,126</u>	<u>5,782,999</u>	<u>131,873</u>
EXPENSES:				
Salaries and Benefits -				
Salaries	243,646	384,250	381,462	2,788
Payroll taxes	26,528	34,460	33,081	1,379
Group insurance	113,084	113,084	91,681	21,403
Retirement benefits	88,143	88,143	68,073	20,070
Other personnel costs	31,500	33,800	14,521	19,279
	<u>502,901</u>	<u>653,737</u>	<u>588,818</u>	<u>64,919</u>
Contracted Services -				
Auditing and accounting	7,000	7,800	7,790	10
Administrative fees -				
service charges	60,000	60,000	58,363	1,637
Data processing services	80,000	80,000	61,268	18,732
Telecommunications consulting	48,100	48,100	35,993	12,107
Other consulting	57,800	57,800	9,631	48,169
Janitorial services	35,000	35,000	31,805	3,195
Legal services	25,200	30,900	30,842	58
Maintenance agreements	512,000	512,000	387,355	124,645
Office equipment rental	12,200	12,200	5,964	6,236
Communications equipment repair	1,500	1,500	162	1,338
Office equipment repair	1,040	1,040	302	738
Building maintenance and repair	36,000	36,000	27,835	8,165
Grounds maintenance	10,000	10,000	8,168	1,832
	<u>885,840</u>	<u>892,340</u>	<u>665,478</u>	<u>226,862</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget to Actual Variance</u>
Supplies and Materials -				
Office supplies and postage	\$ 7,040	\$ 8,790	\$ 7,590	\$ 1,200
Custodial supplies	5,750	8,300	8,280	20
Communication supplies	9,200	10,700	10,638	62
Utilities	86,500	96,500	87,601	8,899
Telephone - communication	430,500	430,500	409,313	21,187
Telephone - administration	15,250	17,300	15,744	1,556
	<u>554,240</u>	<u>572,090</u>	<u>539,166</u>	<u>32,924</u>
Other -				
Dues and memberships	2,100	3,000	2,780	220
Insurance	30,448	33,071	32,622	449
Legal notices	3,300	4,500	4,103	397
Public education	70,000	70,000	4,780	65,220
Seminars and workshops	7,200	7,500	7,435	65
Travel	28,000	29,200	22,900	6,300
Miscellaneous	6,020	9,900	9,740	160
	<u>147,068</u>	<u>157,171</u>	<u>84,360</u>	<u>72,811</u>
Contingency	<u>200,000</u>	<u>14,711</u>	<u>-</u>	<u>14,711</u>
800 MHz project	<u>1,008,759</u>	<u>1,008,759</u>	<u>1,008,759</u>	<u>-</u>
Capital outlay	<u>1,384,764</u>	<u>1,384,764</u>	<u>809,456</u>	<u>575,308</u>
Total expenses	<u>4,683,572</u>	<u>4,683,572</u>	<u>3,696,037</u>	<u>987,535</u>
	<u>\$ 967,554</u>	<u>\$ 967,554</u>	<u>\$ 2,086,962</u>	<u>\$ 1,119,408</u>
Total Actual Budgeted Expenses -			\$ 3,696,037	
Capital outlay			(809,456)	
Depreciation and amortization			<u>1,000,184</u>	
Total GAAP basis expenses			<u>\$ 3,886,765</u>	

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
INFORMATION RELATIVE TO OPERATIONS
(UNAUDITED)
JUNE 30, 2008**

John Stuermer, Director
3404 Amnicola Highway
Chattanooga, TN 37406
Telephone (423) 622-1911
Fax (423) 495-1715

Don Allen, Chairman
3404 Amnicola Highway
Chattanooga, TN 37406
Telephone (423) 622-1911
Fax (423) 495-1715

The District has 8 public safety answering points (PSAP's), with information relative to each detailed as follows -

**Chattanooga Police Department
3410 Amnicola Highway
Chattanooga, TN 37406**

The Chattanooga Police Department dispatches from the "911" Center at 3404 Amnicola Highway, and uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

**Hamilton County Sheriff's Department
600 Market Street
Chattanooga, TN 37402**

The Hamilton County Sheriff's Department dispatches from the "911" Center at 3404 Amnicola Highway, and uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

**Hamilton County Emergency Services
317 Oak Street
Chattanooga, TN 37403**

Hamilton County Emergency Services is a secondary PSAP. It dispatches from the "911" Center at 3404 Amnicola Highway, and uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

**East Ridge Police Department
4214 Ringgold Road
East Ridge, TN 37412**

The East Ridge Police Department dispatches from the "911" Center at 3404 Amnicola Highway, and uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
INFORMATION RELATIVE TO OPERATIONS
(UNAUDITED)
JUNE 30, 2008**

PSAP's (continued) -

**Red Bank Police Department
3117 Dayton Boulevard
Red Bank, TN 37415**

The Red Bank Police Department dispatches from the "911" Center at 3404 Amnicola Highway, and uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

**Signal Mountain Police Department
1111 Ridgeway Avenue
Signal Mountain, TN 37377**

The Signal Mountain Police Department dispatches from the "911" Center at 3404 Amnicola Highway, and uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

**Lookout Mountain Police Department
610 N. Bragg Street
Lookout Mountain, TN 37350**

The Lookout Mountain Police Department calltaking/dispatching is handled from their Lookout Mountain location, which uses Positron hardware and software, NEC PBX, and a 911 MSAG database.

**Soddy-Daisy Department
9835 Dayton Boulevard
Soddy-Daisy, TN 37379**

The Soddy-Daisy Police Department calltaking/dispatching is handled from their Soddy-Daisy location, which uses Positron hardware and software, Lucent PBX, and a 911 MSAG database.

The District also maintains a back-up public safety answering point for use by all agencies for calltaking and dispatching in the event of an emergency. The back-up PSAP uses Positron hardware and software, Avaya PBX, and a 911 MSAG database.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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**

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

We have audited the financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated March 23, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Hamilton County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses, item 2008-1, to be a significant deficiency in internal control over financial reporting.

**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**

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

We have audited the financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated March 23, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Hamilton County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses, item 2008-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is solely intended for the information and use of the Board of Directors, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Niekey & Meucham, P.C.

March 23, 2009

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008 AND 2007**

CURRENT YEAR FINDINGS:

2008-1 CONTROLS OVER THE FINANCIAL REPORTING PROCESS:

Condition:

Our consideration of the internal control structure disclosed that the District has no employee with the qualifications and skills to record the end of year accrual basis adjustments and prepare the financial statements and the related footnotes in accordance with generally accepted accounting principles.

Criteria:

Standards relating to the internal control structure require an entity to employ someone with the qualifications and skills to perform the above tasks.

Effect:

Because of this significant deficiency, management may lack the controls necessary to present financial statements and footnotes in accordance with generally accepted accounting principles.

Recommendation:

Management should consider employing someone with the qualifications and training to perform the above tasks.

Views of management:

Management believes that these criteria are beyond the scope of its financial and legal responsibilities. Additionally, management believes that the cost of correcting this significant deficiency would exceed the benefits achieved.

