

HAMBLEEN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2009 and 2008

**Hamblen County Emergency Communications District
June 30, 2009**

TABLE OF CONTENTS

Page

Introductory Section

Roster of Officials	1
Management's Discussion and Analysis	2-5

Financial Section

Auditor's Report	6-7
Balance Sheet	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-15

Supplemental Information

Statement of Revenue, Expenses, and Changes in Net Assets - Actual and Budget	16
Schedule of Detailed Expenses	17-18
Schedule of Information Required by the Tennessee Emergency Communications Board	19

Internal Control and Compliance Section

Report on Compliance and on Internal Control	20-21
--	-------

INTRODUCTORY SECTION

Hamblen County Emergency Communications District
Roster of Officials
June 30, 2009

1

Board of Directors:

Eric Carpenter, Chairman

Roger Overholt, Vice Chairman

Richard Clark, Secretary

David Purkey, (Ex-Officio)

Kay Senter

Lt. Craig Cloer

Dana Wampler

Brad Smith

Kevin Jarnigan

Bill Honeycutt

Danny Houseright, (Ex-Officio)

Executive Director:

Jimmy Peoples

MANAGEMENTS'S DISCUSSION AND ANALYSIS

As management of the Hamblen County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statement.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of the net assets includes all the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse off as result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets reports information about the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health of financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the district's net assets and changes in them is presented on page 5.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from page 5, (Summarized financial information), the District's net assets have increased approximately \$302,693 during the year ended June 30, 2009. Revenues, (Em. Tel. Surchg.) decreased by 7.47%. Total expenses increased approximately 6.68%. Wireless rates decreased by 10.17%. The increase in expenditures was due to salaries/wages, employee benefits and supplies and materials.

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$1,604,589, which is approximately \$302,693 more than the prior year's ending net assets of \$1,301,896

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Income from residential phone lines increased during the year by \$15,032 above budgeted income. However state shared wireless income decreased projection by \$11,519. Shared wireless charges are still difficult to estimate due to varied reporting times by independent dial tone providers. Interest income deposits were \$5,184 below expectation as interest rate trend continued its decline...

Total expenditures were \$128 less than budgeted with budget categories remaining in line.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$1,044,931 with accumulated depreciation of \$694,161. Capital assets include the building, communications equipment, a vehicle, as well as office furniture and equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Hamblen County Emergency Communications District is the continued decrease in revenue generated from landline and or wireless telephones. Many residences continue to cancel residential service in favor of cell phones but this seems to have declined in the past year.. This year for the first time we have seen a decline in wireless revenue. Only a portion of cell phone revenue is being returned to each 911 District under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline usage and income from shared wireless fees is a continuing problem in estimating revenue for budget preparation. While landline phones decline has begun to level the decline continues. The State Emergency Communications Board, ECB continues contributing to each ECD's operating costs. The amount each District receives is based on the seven (7) population groups. This is a set amount to each group based on the average audited cost ratios of each of the population groups. Hamblen County is covered in the population group ranging from 50,000 to 74,999 according to U. S. Census Bureau population estimates for 2005

The new phone system addressed in this area last year is now in service and is capable of IP based calls and ready for NG911 The new phone system gives us a total of seven (7) identical positions, five (5) at the main center and two (2) at the EOC. The plan to add an additional dispatch position has been completed, giving us 5 complete dispatch positions at the main dispatch center. The upgrade to more ergonomic consoles has been completed and as noted above added an additional position. This will provide not only an additional position for unexpected incidents it will also provide a back up unit should one area at another position fail.

The approved addition of an additional dispatcher during the peak hours last year has been a blessing to the 911 center and certainly welcomed by the emergency agencies.

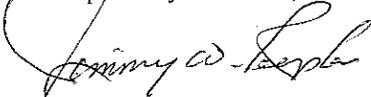
Our work in progress continues toward location dispatching. Our CAD vendor, Cisco, has completed their part of the equation and the mapping vendor DDTI continues to refine required data strings to complete the program. This project was implemented to get faster response to a caller in immediate need and to assist the Morristown Police Department maintain accreditation standards. The EMS also has expressed an interest in this system so they to may provide a quicker response by dispatching the unit closest to the need.

As the year progresses we continue to work with the accreditation department at the Morristown Police Department, headed by Karen Rich, to make sure we provide accreditation standards needed for their continued accreditation.

Another very important part of dispatch is our continued work with the Morristown Fire Department and their need to meet I.S.O. standards. This continues on a regular basis to provide everything possible to assist the MFD in maintaining their excellent rating.

The new phone system installed for 911 also has two (2) positions at the EOC that are exactly the same as those at the main dispatch center so we can now have seven (7) dispatchers on duty should the need arise.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Jimmy W. Peoples".

Jimmy W. Peoples, Director

**SUMMARIZED FINANCIAL INFORMATION
NET ASSETS**

	2009	2008
Current Assets	1,289,351	1,049,080
Capital Assets	<u>350,770</u>	<u>287,580</u>
Total Assets	1,640,121	1,336,660
Current Liabilities	21,101	22,438
Long Term Debt, Liabilities	<u>14,431</u>	<u>12,326</u>
Total Liabilities	35,532	34,764
Net Assets	1,604,589	1,301,896
Unrestricted Net Assets	1,253,819	1,014,316

CHANGES IN NET ASSETS

Revenues (Em.Tel. Surchg.)	742,069	801,974
Operating Expenses	<u>982,333</u>	<u>920,806</u>
Operating Income	240,264	118,832
Non-operating revenues (expenses)		
Interest Income	12,816	32,867
Contributions from primary government	330,141	328,714
State ECB, Grants & Reimbursements	200,000	10,000
Interest Expense	- 0 -	- 0 -
Total	542,957	371,581
Net Income (loss)	302,693	252,749
Net assets, beginning of year	1,301,896	1,049,147
Net assets, end of year	1,604,589	1,301,896

FINANCIAL SECTION

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET

P.O. Box 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

423-586-7650

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hamblen County Emergency Communications District
Morristown, Tennessee 37814

We have audited the accompanying financial statements of Hamblen County Emergency Communications District, a component unit of Hamblen County, Tennessee, as of June 30, 2009 and 2008, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of Hamblen County Emergency Communications District management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamblen County Emergency Communications District of Hamblen County, Tennessee, as of June 30, 2009 and 2008, and the results of its operations, changes in net assets, 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 a report dated October 20, 2009, on our consideration of Hamblen County Emergency Communications District's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors

The management's discussion and analysis on pages 2 through 5 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 consist 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 audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying Statement of Revenues, Expenses, and Changes in Net Assets -- Actual and Budget, Schedule of Detailed Expenses, and Schedule of Information Required by the Tennessee Emergency Communications Board, is presented as supplemental information. Such statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

Craine, Thompson & Jones, P. C.

October 20, 2009

Hamblen County Emergency Communications District
Balance Sheet
June 30, 2009 and 2008

<u>Assets</u>	June 30,	
	2009	2008
Current assets:		
Cash and cash equivalents	\$ 1,186,865	\$ 939,183
Accounts receivable	48,923	59,131
Due from State Emergency Communications Board	24,743	23,373
Due from Primary Government	28,820	27,393
Total current assets	<u>1,289,351</u>	<u>1,049,080</u>
Fixed assets: -		
Building & improvements	316,907	282,840
Communications equipment	514,218	473,517
Office equipment	1,393	1,393
Furniture and fixtures	166,224	166,224
Vehicles	22,806	39,643
Construction in progress	23,382	-
Sub-total	<u>1,044,931</u>	<u>963,617</u>
Less - allowance for depreciation	<u>(694,161)</u>	<u>(676,037)</u>
Fixed assets - net	<u>350,770</u>	<u>287,580</u>
Total assets	<u><u>\$ 1,640,121</u></u>	<u><u>\$ 1,336,659</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 11,025	\$ 13,811
Retirement contributions	5,266	4,518
Compensated absences payable	4,810	4,109
Total current liabilities	<u>21,101</u>	<u>22,437</u>
Long-term liabilities:		
Compensated absences payable	<u>14,431</u>	<u>12,326</u>
Net assets:		
Invested in capital assets	350,770	287,580
Unrestricted	1,253,819	1,014,316
Total net assets	<u>1,604,589</u>	<u>1,301,896</u>
Total liabilities and net assets	<u><u>\$ 1,640,121</u></u>	<u><u>\$ 1,336,659</u></u>

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

Hamblen County Emergency Communications District
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	June 30,	
	<u>2009</u>	<u>2008</u>
Operating revenues:		
Emergency telephone service charge	\$ 520,602	\$ 547,360
State emergency communications board-shared wireless charge	120,689	132,969
Other income-Operational Funding Distribution	100,034	120,041
Miscellaneous income	744	1,604
Total operating revenue	<u>742,069</u>	<u>801,974</u>
Operating expenses:		
Salaries and wages	564,621	520,557
Employee benefits	194,097	173,277
Contracted services	139,522	134,230
Supplies and materials	31,825	40,766
Other charges	17,308	13,978
Depreciation	34,960	37,998
Total operating expenses	<u>982,333</u>	<u>920,806</u>
Net operating income (loss)	<u>(240,264)</u>	<u>(118,832)</u>
Non-operating revenues (expenses)		
Interest income	12,816	32,867
Contributions from primary government	330,141	328,714
Contributions from other governments & agencies	-	-
State Emergency Communications Board - grants & reimbursements	200,000	10,000
Total non-operating revenues (expenses)	<u>542,957</u>	<u>371,581</u>
Net income	302,693	252,749
Net assets, beginning of year	<u>1,301,896</u>	<u>1,049,147</u>
Net assets, end of year	<u>\$ 1,604,589</u>	<u>\$ 1,301,896</u>

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

Hamblen County Emergency Communications District
Statement of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
For the Years Ended June 30, 2009 and 2008

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Received from customers	\$ 648,702	\$ 677,649
Payments to suppliers	(191,441)	(187,486)
Payments to employees	(755,164)	(693,898)
Other receipts (payments)	100,778	121,645
	<u>(197,125)</u>	<u>(82,090)</u>
Net cash provided (used) by operating activities		
Cash flows from capital and related financing activities:		
Additions to fixed assets	(98,152)	(26,491)
	<u>(98,152)</u>	<u>(26,491)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from noncapital financing activities:		
Contributions from primary government	330,141	328,714
Grant from State Emergency Communications Board	200,000	10,000
	<u>530,141</u>	<u>338,714</u>
Net cash provided (used) by noncapital financing activities		
Cash from investing activities:		
Interest on investments	12,816	32,868
	<u>12,816</u>	<u>32,868</u>
Net cash from investing activities		
Net increase (decrease) in cash and cash equivalents	247,680	263,001
Cash and cash equivalents at beginning of year	<u>939,185</u>	<u>676,182</u>
Cash and cash equivalents at end of year	<u>\$ 1,186,865</u>	<u>\$ 939,183</u>

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

Hamblen County Emergency Communications District
Statement of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
For the Years Ended June 30, 2009 and 2008

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ (240,264)	\$ (118,832)
Depreciation	34,960	37,998
Changes in operating assets and liabilities:		
(Increase) or decrease in accounts receivable	7,411	(2,680)
Increase or (decrease) in accounts payable	(2,786)	1,488
Increase or (decrease) in retirement contributions	748	51
Increase or (decrease) in estimated compensated absences	2,806	(115)
	<u>2,806</u>	<u>(115)</u>
Net cash provided (used) by operating activities	<u>\$ (197,125)</u>	<u>\$ (82,090)</u>

NOTE 1 - NATURE OF THE ORGANIZATION

The District was established by the County for the purpose of enhancing "911" and selective routing services under T.C.A. 7-86-101 through 7-86-117 "Emergency Communications District Law." The District is a component unit of Hamblen County, Tennessee. It is managed by an eleven member Board of Directors appointed by the Hamblen County Commission for terms of four years. The District is fiscally dependent upon the County as it must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of accounting – accrual.
Revenue is recognized when earned and expenses are recorded when incurred.
- B. Fund type - proprietary.
- C. For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.
- D. Fixed assets and depreciation:
 - 1) Fixed assets are recorded at cost. Buildings are depreciated over 31.5 years, furniture and equipment over 7 years, and communications equipment over 5 years.

2) Fixed assets consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Net Fixed Assets</u>
Fixed Assets					
Building	\$ 282,840	\$ 34,068	\$ 316,907	\$ 80,798	\$ 236,109
Communications equipment	473,517	40,701	514,218	443,742	70,476
Furniture and fixtures	166,224	-	166,224	162,482	3,742
Office equipment	1,393	-	1,393	677	716
Automobile	39,643	(16,837)	22,806	6,462	16,344
Construction in progress	-	23,382	23,382	-	23,382
Total	<u>\$ 963,617</u>	<u>\$ 81,314</u>	<u>\$1,044,931</u>	<u>\$ 694,161</u>	<u>\$ 350,770</u>

3) The straight-line method of depreciation is used, totaling \$34,960 for 2009 and \$37,998 for 2008. Accumulated depreciation was \$694,161 as of June 30, 2009, and \$676,037 as of June 30, 2008.

- E. The District has chosen not to follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989. The district follows Governmental Accounting Standards Board guidance after November 30, 1989.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The useful lives of the fixed assets of the District are such estimates.

NOTE 3 - DEPOSITS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009 and June 30, 2008, the District had no exposure to custodial credit risk as its deposits were either insured by the FDIC or collateralized with securities held by the State of Tennessee Bank Collateral Pool.

NOTE 4 – CONTRIBUTIONS FROM PRIMARY GOVERNMENT

When the District was formed, the City of Morristown and Hamblen County, Tennessee, each verbally agreed to fund the salaries and benefits of four dispatchers as the District has absorbed these employees. The District bills the two entities monthly for these expenses.

NOTE 5 - CONCENTRATION OF CREDIT RISK

Hamblen County Emergency Communications District was established for the purpose of enhancing "911" and selective routing services in Hamblen County. All fees are collected through either Bell South/AT&T who bills every telephone customer in Hamblen County or the State Department of Commerce and Insurance of Tennessee who remits ECB wireless revenue monthly.

NOTE 6 - COMPENSATED ABSENCES

A. Annual leave:

Annual leave cannot be accumulated over 28 days or 336 hours.

Upon termination, employees are reimbursed for their accumulated annual leave. As of June 30, 2009 and 2008, this liability is \$19,242 and \$16,435, respectively, of which \$4,810 and \$4,109 is estimated to be current.

B. Sick leave:

Sick leave is accumulated at the rate of one day per month without limit. Sick leave may be used to allow an employee early retirement on a day for day basis.

NOTE 7 - PENSION PLAN INFORMATION

Plan Description

Employees of Hamblen County 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 five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system on or 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 Hamblen County 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://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Hamblen County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Hamblen County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008 and 2007, was 7.97% and 7.93%, respectively, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamblen County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the years ending June 30, 2009 and 2008, Hamblen County Emergency Communications District's annual pension cost of \$41,675 and \$37,268, respectively, to TCRS was equal to Hamblen County 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 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. Hamblen County Emergency Communications District's

NOTE 7 - PENSION PLAN INFORMATION (continued)

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, 2009.

TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 37,268	100.00%	\$0.00
June 30, 2007	\$ 35,883	100.00%	\$0.00
June 30, 2006	\$ 31,802	100.00%	\$0.00
June 30, 2005	\$ 27,926	100.00%	\$0.00

**Schedule of Funding Progress for Hamblen County Emergency Communications District, 88540
 (Dollar amounts in thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b)-(a)	(a/b)	(c)	(b-a)/(c)
July 1, 2007	607	706	99	85.98%	423	23.40%
July 1, 2005	435	543	108	80.16%	349	30.92%
July 1, 2003	326	442	116	73.76%	292	39.73%
July 1, 2001	249	362	113	68.78%	241	46.89%

NOTE 8 - RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District is insured through Strate Insurance Group as an ancillary to Hamblen County's insurance. There were no actual or potential claims against the District according to the County Attorney; therefore, no provision has been made. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

SUPPLEMENTAL INFORMATION

Hamblen County Emergency Communications District
Statement of Revenue, Expenditures, and Changes in
Fund Balance - Actual and Budget
Year Ended June 30, 2009

	Actual	Budget	Variance Fav. (Unfav.)
Operating revenues:			
Emergency telephone service charge	\$ 520,602	\$ 505,570	\$ 15,032
State emergency communications board-shared wireless charge	120,689	132,208	(11,519)
Other - Operational Funding Distribution	100,034	120,041	(20,007)
Miscellaneous income	744	1,000	(256)
Total operating revenues	<u>742,069</u>	<u>758,819</u>	<u>(16,750)</u>
Operating expenses:			
Director	67,558	67,563	5
Administrative personnel	31,685	31,686	1
Dispatchers	417,796	417,804	8
Part-time personnel	44,775	44,775	(0)
Social Security	33,358	33,360	2
Medicare	7,802	7,805	3
Life insurance	1,681	1,685	4
Medical insurance	98,031	98,031	(0)
Dental insurance	9,713	9,715	2
Disability insurance	1,455	1,456	1
Retirement contributions	41,675	41,675	(0)
Compensated Absences	2,806	2,806	-
Other fringe benefits	383	385	2
Audit services	5,040	5,040	-
Administrative fees - services charges	685	688	3
Legal services	252	252	-
Mapping / Data	7,663	7,663	0
NCIC/TBI/TIES expenses	1,600	1,600	-
Pest control	284	285	1
Lease/Rental - communications equipment	108,286	108,290	4
Maintenance and repairs - communications equipment	4,242	4,250	8
Maintenance and repairs - building and facilities	1,092	1,095	3
Maintenance and repairs - vehicles	200	205	5
Fuel - Vehicle	1,609	1,610	1
Other contracted services	8,568	8,570	2
Office supplies	3,099	3,100	1
Custodial supplies	1,416	1,420	4
Postage	257	260	3
Utilities - electric	9,044	9,045	1
Utilities - gas	1,308	1,310	2
Utilities - general telephone	11,999	12,000	1
Utilities - cell phones & pagers	980	990	10
Other supplies and materials	1,443	1,443	0
Board meeting expenses	582	585	3
Dues and memberships	838	840	2
Employee testing & exams	494	495	1
Insurance - workers compensation	2,335	2,335	-
Insurance - liability	3,002	3,002	-
Insurance - building & contents	1,215	1,215	-
Insurance - vehicles	654	654	-
Premium on surety bonds	1,012	1,012	-
Training expenses	6,344	6,345	1
Travel expenses	832	835	3
General Telephone E.O.C	2,277	2,280	3
Depreciation	34,960	35,000	40
Total operating expenses	<u>982,332</u>	<u>982,460</u>	<u>128</u>
Net operating income	<u>(240,263)</u>	<u>(223,641)</u>	<u>(16,622)</u>
Non-operating revenues (expenses):			
Interest income	12,816	18,000	(5,184)
Contributions from other governments & agencies	330,141	328,714	1,427
State Emergency Communications Board - Grants and Reimbursements	200,000	10,000	190,000
Total non-operating revenues (expenses)	<u>542,957</u>	<u>356,714</u>	<u>186,243</u>
Net income	<u>\$ 302,694</u>	<u>\$ 133,073</u>	<u>\$ 169,621</u>

Hamblen County Emergency Communications District
Schedule of Detailed Expenses
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Salaries and wages:		
Director	\$ 67,558	\$ 66,828
Administrative personnel	34,492	30,669
Dispatchers	417,796	372,345
Part-time personnel	44,775	50,715
Total salaries and wages	<u>\$ 564,622</u>	<u>\$ 520,557</u>
Employee benefits:		
Social security	\$ 33,358	\$ 30,837
Medicare	7,802	7,212
Life insurance	1,681	1,552
Medical insurance	98,031	85,484
Dental insurance	9,713	9,641
Disability insurance	1,455	1,283
Other Fringe Benefits	383	-
Retirement contributions	41,675	37,268
Total employee benefits	<u>\$ 194,097</u>	<u>\$ 173,277</u>
Contracted services:		
Audit services	\$ 5,040	\$ 4,875
Administrative fees - service charges	685	698
Legal services	252	-
Mapping / Data	7,663	-
NCIC/TBI/TIES expenses	1,600	1,600
Pest control	284	264
Lease/rental - communications equipment	108,286	111,984
Maintenance and repairs - communications equipment	4,242	3,927
Maintenance and repairs - buildings and facilities	1,092	307
Maintenance and repairs - vehicles	200	2,201
Fuel Vehicle	1,609	-
Other contracted services	8,569	8,374
Total contracted services	<u>\$ 139,522</u>	<u>\$ 134,230</u>

Hamblen County Emergency Communications District
Schedule of Detailed Expenses
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Supplies and materials:		
Office supplies	\$ 3,099	\$ 4,006
Custodial supplies	1,416	1,050
Postage	257	353
Utilities - electric	9,044	7,482
Utilities - gas	1,309	1,039
Utilities - general telephone	14,276	18,865
Utilities - cell phones & pagers	981	1,228
Other supplies and materials	1,443	6,743
Total supplies and materials	<u>\$ 31,825</u>	<u>\$ 40,766</u>
Other charges:		
Board meeting expenses	\$ 582	\$ 562
Dues and memberships	838	799
Employee testing and exams	494	532
Insurance - workers compensation	2,335	2,022
Insurance - liability	3,002	3,002
Insurance - buildings and contents	1,215	1,070
Insurance - vehicles	654	726
Premiums on surety bonds	1,012	652
Training expenses	6,344	2,880
Travel expenses	832	1,733
Total other charges	<u>\$ 17,308</u>	<u>\$ 13,978</u>
Depreciation expense	<u>\$ 34,960</u>	<u>\$ 37,998</u>

Hamblen County Emergency Communications District
Schedule of Information Required by the Tennessee
Emergency Communications Board
June 30, 2009

Number of public safety answering points (PSAP) 1

Address of PSAP 530 North Jackson Street
Morristown, TN 37814

Database used by PSAP Bell South Positron

Director Jimmy Peoples
530 North Jackson Street
Morristown, TN 37814
Telephone: (423) 585-2700
Fax: (423) 585-2704

Chairman Eric Carpenter
520 North Jackson Street
Morristown, TN 37814
Telephone: (423) 585-2700
Fax: (423) 585-2704

INTERNAL CONTROL AND COMPLIANCE SECTION

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
P.O. Box 1779
SUITE 300, MILLENNIUM SQUARE
MORRISTOWN, TENNESSEE 37816-1779
423-586-7650

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
Hamblen County Emergency Communications District
Morristown, Tennessee

We have audited the financial statements of Hamblen County Emergency Communications District, a component unit of Hamblen County, Tennessee, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Hamblen County Emergency Communications District's basic financial statements and have issued our report thereon dated October 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hamblen County Emergency Communications District's ability to initiate, authorize, record, 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 Hamblen County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by Hamblen County Emergency Communications District's internal control.

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 Hamblen County Emergency Communications District's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamblen County 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Directors, and the State of Tennessee and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Craine, Thompson + Jones, P. C.

October 20, 2009