

Financial Statements

HANCOCK COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2009

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Hancock County Emergency Communications District
Sneedville, Tennessee

We have audited the accompanying statement of net assets of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, as of June 30, 2009, and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 in the first paragraph present fairly, in all material respects, the financial position of Hancock County Emergency Communications District as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 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 consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements which collectively comprise Hancock County Emergency Communications District's basic financial statements. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The other supplementary information as listed in the table of contents 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2010 on our consideration of Hancock County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mitchell Emert & Hill

February 18, 2010

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT
P.O. BOX 347
SNEEDVILLE, TN 37869

Our discussion and analysis of the Hancock County Emergency Communications District's (the District) financial performance provides an overview of the District's activities for the year ended June 30, 2009. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the District as a whole and present a long-term view of the District's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses and Change in Net Assets report information about the District and about its activities that help 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 revenue 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 them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or 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.

FINANCIAL HIGHLIGHTS

The operations of the Hancock County Emergency Communications District (a component unit of Hancock County, Tennessee) are primarily funded as follows:

- Telephone and Wireless companies "911" fees
- Operational fund program for State of Tennessee Emergency Communications Board (TECB)
- Interest income

Total operational costs for the District were \$170,075 for the year ended June 30, 2009 and \$177,461 for the year ended June 30, 2008.

NET ASSETS

The analysis below focuses on the net assets and changes in net assets of the District:

	<u>2009</u>	<u>2008</u>
Current assets	\$ 147,745	\$ 119,914
Capital assets	<u>133,409</u>	<u>169,703</u>
Total Assets	<u>\$ 281,154</u>	<u>\$ 289,616</u>
Current liabilities	\$ 1,064	\$ 515
Net assets:		
Invested in capital assets	133,409	169,703
Unrestricted	<u>146,681</u>	<u>119,398</u>
Total Net Assets	<u>\$ 281,154</u>	<u>\$ 289,616</u>

CHANGE IN NET ASSETS

Operating revenue	\$ 148,842	\$ 150,157
Operating expenses	<u>170,075</u>	<u>177,461</u>
Operating (loss)income	(21,233)	(27,304)
Non-operating income	12,222	45,425
Non-operating (expense)	<u>0</u>	<u>(825)</u>
Change in net assets	(9,011)	17,296
Beginning net assets	<u>289,101</u>	<u>271,805</u>
Ending net assets	<u>\$ 280,090</u>	<u>\$ 289,101</u>

Net assets of the District decreased by 3% during 2009 and increased by 8% during 2008. Unrestricted net assets, the portion of the net assets that can be used to finance day-to-day operations were \$146,681 or 52% of total net assets for 2009 and \$119,398 or 40% of total net assets for 2008.

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net assets ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios:

	<u>2009</u>	<u>2008</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 146,681	\$ 119,398
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	139 to 1	237 to 1

Days Cash and Investments (represents the number of days' normal operations could continue with no revenue collections)	405 days	247 days
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	(3%)	7%

CAPITAL ASSETS

At June 30, 2009 and 2008, the District had amounts invested in capital assets as outlined below.

	<u>2009</u>	<u>2008</u>
Communications equipment	\$ 214,856	\$ 214,856
Office equipment	2,601	2,601
Vehicles	<u>17,700</u>	<u>17,700</u>
	235,157	235,157
Less accumulated depreciation	<u>(101,748)</u>	<u>(65,454)</u>
	<u>\$ 133,409</u>	<u>\$ 169,703</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability to the money it receives. If you have any questions about this report or need additional financial information, contact:

G. Greg Marion
Chairman of the Board
Hancock County Emergency Communications District
P.O. Box 347
Sneedville, TN 37869
(423) 733-4341

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

CURRENT ASSETS

Cash		\$ 122,079
Accounts receivable		4,789
Due from TECB		18,498
Prepaid insurance		<u>2,378</u>

TOTAL CURRENT ASSETS 147,745

CAPITAL ASSETS

Communications equipment	\$ 214,856	
Office equipment	2,601	
Vehicle	<u>17,700</u>	
	235,157	
Accumulated depreciation	<u>(101,748)</u>	<u>133,409</u>

TOTAL ASSETS \$ 281,154

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 1,064
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NET ASSETS

Invested in capital assets	\$ 133,409	
Unrestricted	<u>146,681</u>	<u>280,090</u>

TOTAL LIABILITIES AND NET ASSETS \$ 281,154

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2009

OPERATING REVENUE

Emergency telephone service charges		\$ 59,079
TECB-shared wireless charge		17,548
TECB-operational funding program		<u>72,215</u>

TOTAL OPERATING REVENUE 148,842

OPERATING EXPENSES

Salaries and wages:			
Director	\$ 30,000		
Dispatchers	<u>53,172</u>		83,172
Employee benefits:			
Social security	6,363		
Unemployment	<u>389</u>		6,752
Contracted services:			
Audit	3,500		
Maintenance agreements	13,029		
Communications equipment	3,337		
Vehicles	<u>5,455</u>		25,321
Supplies and materials:			
Office supplies	535		
Postage	26		
Other	1,687		
General telephone	<u>10,843</u>		13,090

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2009

Other charges:		
Insurance	5,182	
Travel	140	
Licenses and fees	<u>124</u>	5,446
Depreciation		<u>36,294</u>
	TOTAL OPERATING EXPENSES	<u>170,075</u>
	(LOSS) FROM OPERATIONS	(21,233)
NON-OPERATING REVENUE		
TECB-grants	10,000	
Interest income	<u>2,222</u>	<u>12,222</u>
	CHANGE IN NET ASSETS	(9,011)
NET ASSETS AT THE BEGINNING OF THE YEAR		<u>289,101</u>
	NET ASSETS AT THE END OF THE YEAR	<u>\$ 280,090</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 133,283
Cash paid to suppliers	(50,060)
Cash paid to employees	<u>(83,172)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	50
CASH PROVIDED(USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
TECB grants	10,000
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest income	<u>2,222</u>
NET INCREASE IN CASH	12,272
CASH AT THE BEGINNING OF THE YEAR	<u>109,807</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 122,079</u></u>
RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
(Loss) from operations	\$ (21,233)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:	
Depreciation	\$ 36,294
(Increase) in accounts receivable	(15,560)
Increase in accounts payable	<u>549</u>
	<u>21,283</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 50</u></u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A - DESCRIPTION OF ORGANIZATION

Hancock County Emergency Communications District (the District) was established on April 10, 1995, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The purpose of the District is to furnish local emergency telephone service and a primary emergency telephone number for the residents of Hancock County, Tennessee. The District is governed by a Board of Directors of not less than seven and not more than nine persons. These directors, appointed by the Hancock County Board of Commissioners, consist of the persons holding the following positions: the Mayor of Hancock County, Sheriff of Hancock County, Mayor of City of Sneedville, Director of the Emergency Medical Service, Superintendent of Roads of Hancock County, Director of Emergency Management Agency of Hancock County, Director of the Medical Clinic, Hancock County Director of Schools and one Hancock County Commissioner.

The District is considered a component unit of Hancock County, Tennessee because the Hancock County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as non-operating expenses.

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2009 has been calculated as follows:

Capital assets	\$ 235,157
Accumulated depreciation	<u>(101,748)</u>
	<u>\$ 133,409</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2009.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2009, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets are recorded at cost and defined by the District as assets with an initial, individual cost of \$5,000 or more (dollar limit is effective for assets purchased after July 1, 2003). Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE C - CASH AND CASH EQUIVALENTS

Cash is stated at cost. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's investment pool. The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the District may participate in the state investment pool, it elects not to.

District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to insured in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

All of the District's cash and cash equivalent balances at June 30, 2009 were either insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the District's agent in the District's name.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>7/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/09</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 214,856	\$ 0	\$ 0	\$ 214,856
Office equipment	2,601	0	0	2,601
Vehicle	<u>17,700</u>	<u>0</u>	<u>0</u>	<u>17,700</u>
	235,157	0	0	235,157
 <u>Accumulated depreciation</u>				
Communications equipment	(52,973)	(34,454)	0	(87,427)
Office equipment	(2,601)	0	0	(2,601)
Vehicle	<u>(9,880)</u>	<u>(1,840)</u>	<u>0</u>	<u>(11,720)</u>
	<u>(65,454)</u>	<u>(36,294)</u>	<u>0</u>	<u>(101,748)</u>
	<u>\$ 169,703</u>	<u>\$ (36,294)</u>	<u>\$ 0</u>	<u>\$ 133,409</u>

NOTE E - 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 carries commercial insurance for all risks of loss, including general liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

OTHER SUPPLEMENTARY INFORMATION

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2009

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 59,079	\$ 75,473	\$ (16,394)
TECB-shared wireless charge	17,548	0	17,548
TECB-operational funding program	<u>72,215</u>	<u>70,000</u>	<u>2,215</u>
TOTAL OPERATING REVENUE	148,842	145,473	3,369
OPERATING EXPENSES			
Salaries and wages:			
Director	30,000	30,000	0
Dispatchers	<u>53,172</u>	<u>70,000</u>	<u>(16,828)</u>
	83,172	100,000	(16,828)
Employee benefits:			
Social security	6,363	10,000	(3,637)
Unemployment	<u>389</u>	<u>2,500</u>	<u>(2,111)</u>
	6,752	12,500	(5,748)
Contracted services:			
Addressing and mapping expense	0	12,000	(12,000)
Audit	3,500	5,500	(2,000)
Maintenance agreements	13,029	15,000	(1,971)
Communications equipment	3,337	12,000	(8,663)
Vehicles	<u>5,455</u>	<u>5,500</u>	<u>(45)</u>
	25,321	50,000	(24,679)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2009

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Supplies and materials:			
Office supplies	535	2,500	(1,965)
Postage	26	500	(474)
Other	1,687	2,500	(813)
General telephone	<u>10,843</u>	<u>16,500</u>	<u>(5,657)</u>
	13,090	22,000	(8,910)
Other charges:			
Dues and subscriptions	0	500	(500)
Insurance	5,182	6,700	(1,518)
Internet access	0	700	(700)
Training	0	8,000	(8,000)
Travel	140	2,000	(1,860)
Legal notices	0	1,500	(1,500)
Licenses and fees	<u>124</u>	<u>500</u>	<u>(376)</u>
	5,446	19,900	(14,454)
Depreciation	<u>36,294</u>	<u>60,880</u>	<u>(24,586)</u>
TOTAL OPERATING EXPENSES	<u>170,075</u>	<u>265,280</u>	<u>(95,205)</u>
(LOSS) FROM OPERATIONS	(21,233)	(119,807)	98,574
NON-OPERATING REVENUE			
TECB grants	10,000	10,000	0
Interest income	<u>2,222</u>	<u>0</u>	<u>2,222</u>
CHANGE IN NET ASSETS	<u>\$ (9,011)</u>	<u>\$ (109,807)</u>	<u>\$ 100,796</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PUBLIC SAFETY ANSWERING POINTS

June 30, 2009

There is one public safety answering point (PSAP) utilized by the Hancock County Emergency Communications District (the District).

The PSAP is located at the District's offices at 262 New Jail Street, Sneedville, TN, 37869.

The District uses the following system and/or equipment:

TC-INV2-SPCPN Controller (PSAP System)
Primet-20/2 Console System (Radio System)
Motorola Radius M1225 (Mobile Radio Units)
Motorola HT750 (Portable Radio Units)
Digital Phone Logging System
TC-3914-B Database Modem
GPS Command Center Package 9183
UPS Battery Module

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF OFFICIALS

June 30, 2009

Director

Jimmy R. Trent
P.O. Box 762
Sneedville, TN 37869
Telephone number (423) 733-8453
Telefax number (423) 733-4348

Chairman of the Board of Directors

G. Greg Marion
P.O. Box 347
Sneedville, TN 37869
Telephone number (423) 733-4341
Telefax number (423) 733-4348

Members of the Board of Directors

Michael Antrican
Alan Dale Davis
Charlie Dunsmore
Jack Mullins
Dean Rhea
Clem D. Seal
Ralph D. Seal
John Short
Dewey Taylor

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2009

<u>Project Number</u>	<u>Grant Purpose</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
N/A	GIS Mapping Grant	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

Receivable
July 1, 2008

Receipts

Expenditures

Receivable
June 30, 2009

\$ 0

\$ 10,000

\$ 10,000

\$ 0

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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
Hancock County Emergency Communications District
Sneedville, Tennessee

We have audited the accompanying financial statements of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, as of and for the year ended June 30, 2009 and have issued our report thereon dated February 18, 2010. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County 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 Hancock County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hancock County Emergency Communications District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County Emergency Communications District's financial statements are free of material misstatements, 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 solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert & Hill

February 18, 2010