HAMBLEN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2011 and 2010

Hamblen County Emergency Communications District
June 30, 2011

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INTRODUCTORY SECTION

Hamblen County Emergency Communications District
Roster of Officials
June 30, 2011

Board of Directors:

Roger Overholt, Chairman

Richard Clark, Secretary

Bill Brittain, (Ex-Officio)

Kay Senter

Esco Jarnagin, Sheriff

Tom Massey

Brad Smith

Bill Jordan

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, 2011. 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 – is 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 $158,645 during the year ended June 30, 2011. Revenues, (Em. Tel. Surchg.) decreased 1.19%. Total expenses increased approximately 7.0%. Wireless rates were without change. The minimal increase in expenditures was due to diligence of the administrative staff and employees being cost conscious.

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of $1,883,210, which is approximately $119,850 more than the prior year's ending net assets of $1,763,360

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 $12,661 from budgeted income. However state shared wireless income increased projection by $4,792. Shared wireless charges are still difficult to estimate due to varied reporting times by independent dial tone providers. Interest income deposits were $8,158 below expectation as interest rate trend continued to be stagnant.

Total expenditures were $10,068 less than budgeted with budget categories remaining in line.

CAPITAL ASSETS

The District's investment in capital assets amounts to $1,162,718 with accumulated depreciation of $794,627. 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 fluctuation 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 reversed slightly.r.. This year we have noted an increase 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. 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 phone system addressed last year in this column has stabilized but continues to be a detriment to the dispatchers as the G.U.I. offers led of what we need. It 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. We are currently negotiating with AT&T for an upgrade to the Patriot system which has an automated fail safe feature as well as greatly improved G.U.I. The plan to add an additional dispatch position has been completed ,except for the radio console.. The upgrade to more ergonomic consoles has been an asset to the district dispatchers as they now have the capability to sit or stand for their comfort.

Our search for radio consoles to replace the current Orbacom System continues. The Orbacom system was sunsetted just over (4) four years ago. Currently our research has carried us to (2) two systems. One is Avtec and the other is I.D.S. At this writing we still are seeking technical information so we may make a responsible request for purchase to the board.

We are continuing progress to dispatch by closest unit and this will be an asset to the M.P.D. during their accreditation process as well as getting a unit to the person calling faster than with the previous zone method.. Our CAD vendor, Cisco, has completed their part of the equation and the mapping vendor DDTI continues to refine required data strings to enhance our closest unit dispatch. The EMS continues their efforts to join the. M.D.T. system so they to may provide a quicker response by dispatching the unit closest to the need.. They are currently exploring avenues to find the most economical solution so they can implement an equivalent response as the M.P.D. does.

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.

Respectfully submitted,

Jimmy W. Peoples, Director

SUMMARIZED FINANCIAL INFORMATION
NET ASSETS

	2011	2010	2009
Current Assets	1,553,913	1,393,247	1,289,351
Capital Assets	368,091	408,706	350,770
Total Assets	1,922,004	1,801,953	1,640,121
Current Liabilities	17,283	18,300	21,101
Long Term Debt, Liabilities	21,511	20,293	14,431
Total Liabilities	38,794	38,593	35,532
Net Assets	1,922,004	1,763,359	1,604,589
Unrestricted Net Assets	1,515,119	1,382,270	1,253,819

CHANGES IN NET ASSETS

Revenues (Em.Tel. Surchg.)	800,055	809,705	742,069
Operating Expenses	1,052,546	983,346	982,333
Operating Income	(252,492)	(173,640)	(240,264)
Non-operating revenues (expenses)			
Interest Income	1,842	6,910	12,816
Contributions from primary government	340,500	315,501	330,141
State ECB, Grants & Reimbursements	30,000	10,000	200,000
Interest Expense	- 0 -	- 0 -	- 0 -
Total	372,342	332,411	542,957
Net Income (loss)	119,850	158,770	302,693
Net assets, beginning of year	1,763,360	1,604,589	1,301,896
Net assets, end of year	1,883,210	1,763,359	1,604,589

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, 2011 and 2010, 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, 2011 and 2010, 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 18, 2011, 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.

JAMES W. CRAINE, CPA
GLENN B. THOMPSON, CPA, CFP, PFS
MIRA J. CRAINE, CPA
THOMAS M. JONES, CPA
HIRAM H. JONES, CPA
TERRY M. WINSTEAD, CPA

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 and Schedule of Detailed Expenses 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 18, 2011

Hamblen County Emergency Communications District
Balance Sheet
June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 1,497,979	$ 1,351,103
Accounts receivable	28,541	26,537
Due from Primary Government	27,393	15,607
Total current assets	1,553,913	1,393,247
Fixed assets:		
Building & improvements	351,320	351,320
Communications equipment	620,633	609,666
Office equipment	1,393	1,393
Furniture and fixtures	166,566	166,566
Vehicles	22,806	22,806
Sub-total	1,162,718	1,151,751
Less - allowance for depreciation	(794,627)	(743,045)
Fixed assets - net	368,091	408,706
Total assets	$ 1,922,004	$ 1,801,953
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 6,821	$ 6,603
Retirement contributions	3,291	4,933
Compensated absences payable	7,171	6,764
Total current liabilities	17,283	18,300
Long-term liabilities:		
Compensated absences payable	21,511	20,293
Net assets:		
Invested in capital assets	368,091	408,706
Unrestricted	1,515,119	1,354,654
Total net assets	1,883,210	1,763,360
Total liabilities and net assets	$ 1,922,004	$ 1,801,953

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, 2011 and 2010

	June 30, 2011	June 30, 2010
Operating revenues:		
Emergency telephone service charge	$ 457,524	$ 461,280
State emergency communications board-shared wireless charge	151,715	152,794
Other income-Operational Funding Distribution	188,855	194,455
Miscellaneous income	1,960	1,176
Total operating revenue	800,054	809,705
Operating expenses:		
Salaries and wages	606,942	560,117
Employee benefits	200,204	196,755
Contracted services	134,155	130,071
Supplies and materials	41,793	32,377
Other charges	17,869	15,142
Depreciation	51,583	48,884
Total operating expenses	1,052,546	983,346
Net operating income (loss)	(252,492)	(173,641)
Non-operating revenues (expenses)		
Interest income	1,842	6,910
Contributions from primary government	340,500	315,501
State Emergency Communications Board - grants & reimbursements	30,000	10,000
Total non-operating revenues (expenses)	372,342	332,411
Net income	119,850	158,771
Net assets, beginning of year	1,763,360	1,604,589
Net assets, end of year	$ 1,883,210	$ 1,763,360

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, 2011 and 2010

	June 30, 2011	June 30, 2010
Cash flows from operating activities:		
Received from customers	$ 595,449	$ 674,416
Payments to suppliers	(193,598)	(182,012)
Payments to employees	(807,165)	(749,389)
Other receipts (payments)	190,815	195,631
Net cash provided (used) by operating activities	(214,499)	(61,354)
Cash flows from capital and related financing activities:		
Additions to fixed assets	(10,967)	(106,819)
Net cash provided (used) by capital and related financing activities	(10,967)	(106,819)
Cash flows from noncapital financing activities:		
Contributions from primary government	340,500	315,501
Grant from State Emergency Communications Board	30,000	10,000
Net cash provided (used) by noncapital financing activities	370,500	325,501
Cash from investing activities:		
Interest on investments	1,842	6,910
Net cash from investing activities	1,842	6,910
Net increase (decrease) in cash and cash equivalents	146,876	164,238
Cash and cash equivalents at beginning of year	1,351,103	1,186,865
Cash and cash equivalents at end of year	$ 1,497,979	$ 1,351,103

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, 2011 and 2010

	June 30, 2011	June 30, 2010
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net operating income (loss)	$ (252,492)	$ (173,641)
Depreciation	51,583	48,883
Changes in operating assets and liabilities:		
(Increase) or decrease in accounts receivable	(13,791)	60,343
Increase or (decrease) in accounts payable	218	(4,422)
Increase or (decrease) in retirement contributions	(1,642)	(333)
Increase or (decrease) in estimated compensated absences	1,625	7,816
Net cash provided (used) by operating activities	$ (214,499)	$ (61,354)

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

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:

June 30, 2011	**Beginning Balance**	**Additions**	**Ending Balance**	**Accumulated Depreciation**	**Net Fixed Assets**
Fixed Assets					
Building	$ 351,320	$ -	$ 351,320	$ 98,494	$ 252,826
Communications equipment	609,666	10,967	620,633	514,689	105,944
Furniture and fixtures	166,566	-	166,566	164,626	1,940
Office equipment	1,393	-	1,393	1,234	159
Automobile	22,806	-	22,806	15,584	7,222
Construction in progress	-	-	-	-	-
Total	$1,151,751	$ 10,967	$1,162,718	$ 794,627	$ 368,091

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fixed assets and depreciation (continued):

3) Fixed assets consist of:

June 30, 2010	Beginning Balance	Additions	Ending Balance	Accumulated Depreciation	Net Fixed Assets
Fixed Assets					
Building	$ 316,907	$ 34,413	$ 351,320	$ 89,509	$ 261,811
Communications equipment	514,218	95,448	609,666	477,533	132,133
Furniture and fixtures	166,224	342	166,566	164,024	2,542
Office equipment	1,393	-	1,393	956	437
Automobile	22,806	-	22,806	11,023	11,783
Construction in progress	23,382	(23,382)	-	-	-
Total	$1,044,930	$ 106,821	$1,151,751	$ 743,045	$ 408,706

4) The straight-line method of depreciation is used, totaling $51,583 for 2011 and $48,883 for 2010. Accumulated depreciation was $794,627 as of June 30, 2011, and $743,045 as of June 30, 2010.

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.

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, 2011 and June 30, 2010, 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, 2011 and 2010, this liability is $28,682 and $27,057, respectively, of which $7,171 and $6,764 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.

NOTE 7 - PENSION PLAN INFORMATION (continued)

Plan Description (continued)

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, 2011 and 2010, was 7.27% and 7.97%, 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, 2011 and 2010, Hamblen County Emergency Communications District's annual pension cost of $42,508 and $41,760, 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, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hamblen County 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, 2009, was 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

NOTE 7 - PENSION PLAN INFORMATION (continued)

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 42,508	100.00%	$0.00
June 30, 2010	$ 41,760	100.00%	$0.00
June 30, 2009	$ 41,670	100.00%	$0.00
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)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
July 1, 2009	745	980	235	76.02%	$ 536	43.84%
July 1, 2007	606	842	236	71.97%	422	55.92%
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.

NOTE 9 – BUDGETARY INFORMATION

The District must file a budget annually with Hamblen County which must be legally adopted by the County. The budget is prepared on the accrual basis of accounting. The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* has established the legal level of control, which is the level at which management loses the ability to reapply budgeted resources from one use to another without special approval, at the line-item level.

SUPPLEMENTAL INFORMATION

Hamblen County Emergency Communications District
Statement of Revenue, Expenditures, and Changes in Fund Balance - Actual and Budget
Year Ended June 30, 2011

	Actual	Budget	Variance Fav. (Unfav,)
Operating revenues:			
Emergency telephone service charge	$ 457,524	$ 444,862	$ 12,662
State emergency communications board-shared wireless charge	151,715	146,923	4,792
Other - Operational Funding Distribution	188,855	188,855	(0)
Miscellaneous income	1,960	1,000	960
Total operating revenues	800,054	781,640	18,414
Operating expenses:			
Director	77,328	77,423	95
Administrative personnel	36,065	36,084	19
Dispatchers	471,783	472,079	296
Part-time personnel	20,142	20,365	223
Social Security	35,754	35,965	211
Medicare	8,362	8,528	166
Life insurance	1,870	1,898	28
Medical insurance	103,718	104,335	617
Dental insurance	10,822	10,951	129
Disability insurance	1,545	1,580	35
Retirement contributions	37,725	41,069	3,344
Compensated Absences	1,626	1,630	4
Other fringe benefits	408	415	7
Audit services	5,260	5,300	40
Administrative fees - services charges	683	750	67
Legal services	366	500	134
Mapping / Data	5,128	5,223	95
NCIC/TBI/TIES expenses	2,680	2,680	-
Other Consultants	2,500	2,500	-
Pest control	288	320	32
Lease/Rental - communications equipment	103,128	103,217	89
Maintenance and repairs - communications equipment	2,508	2,600	92
Maintenance and repairs - building and facilities	2,563	2,900	337
Maintenance and repairs - vehicles	908	1,000	92
Fuel - Vehicle	2,471	2,500	29
Other contracted services	5,672	6,200	528
Office supplies	4,180	4,200	20
Custodial supplies	1,384	1,500	116
Postage	244	300	56
Utilities - electric	11,332	11,350	18
Utilities - gas	1,242	1,300	58
Utilities - general telephone	16,561	16,975	414
Utilities - cell phones & pagers	1,553	1,575	22
Other supplies and materials	2,948	3,550	602
Board meeting expenses	535	800	265
Dues and memberships	716	800	84
Employee testing & exams	492	500	8
Insurance - workers compensation	1,862	1,900	38
Insurance - liability	3,050	3,050	-
Insurance - building & contents	1,476	1,476	-
Insurance - vehicles	914	914	-
Premium on surety bonds	1,012	1,012	-
Training expenses	3,841	3,900	59
Travel expenses	3,971	4,000	29
General Telephone E.O.C	2,349	2,500	151
Depreciation	51,583	53,000	1,417
Total operating expenses	1,052,546	1,062,614	10,068
Net operating income	(252,492)	(280,974)	28,482
Non-operating revenues (expenses):			
Interest income	1,842	10,000	(8,158)
Contributions from other governments & agencies	340,500	328,714	11,786
State Emegency Communications Board - Grants and Reimbursements	30,000	10,000	20,000
Total non-operating revenues (expenses)	372,342	348,714	23,628
Net income	$ 119,850	$ 67,740	$ 52,110

Hamblen County Emergency Communications District
Schedule of Detailed Expenses
June 30, 2011 and 2010

	2011	2010
Salaries and wages:		
Director	$ 77,328	$ 71,288
Administrative personnel	37,691	41,403
Dispatchers	471,783	371,233
Part-time personnel	20,142	76,193
Total salaries and wages	$ 606,944	$ 560,117
Employee benefits:		
Social security	$ 35,754	$ 32,714
Medicare	8,362	7,651
Life insurance	1,870	1,760
Medical insurance	103,718	98,940
Dental insurance	10,822	10,159
Disability insurance	1,545	1,454
Other Fringe Benefits	408	2,323
Retirement contributions	37,725	41,755
Total employee benefits	$ 200,204	$ 196,755
Contracted services:		
Audit services	$ 5,260	$ 5,040
Administrative fees - service charges	683	695
Legal services	366	489
Mapping / Data	5,128	18,150
NCIC/TBI/TIES expenses	2,680	2,680
Other Consultants	2,500	-
Pest control	288	288
Lease/rental - communications equipment	103,128	86,797
Maintenance and repairs - communications equipment	2,508	4,187
Maintenance and repairs - buildings and facilities	2,563	875
Maintenance and repairs - vehicles	908	401
Fuel Vehicle	2,471	1,507
Other contracted services	5,672	8,964
Total contracted services	$ 134,155	$ 130,071

Hamblen County Emergency Communications District
Schedule of Detailed Expenses
June 30, 2011 and 2010

	2011	2010
Supplies and materials:		
Office supplies	$ 4,180	$ 3,414
Custodial supplies	1,384	2,049
Postage	244	275
Utilities - electric	11,332	9,844
Utilities - gas	1,242	1,364
Utilities - general telephone	18,910	12,211
Utilities - cell phones & pagers	1,553	1,439
Other supplies and materials	2,948	1,782
Total supplies and materials	$ 41,793	$ 32,377
Other charges:		
Board meeting expenses	$ 535	$ 411
Dues and memberships	716	877
Employee testing and exams	492	379
Insurance - workers compensation	1,862	2,079
Insurance - liability	3,050	3,080
Insurance - buildings and contents	1,476	1,336
Insurance - vehicles	914	627
Premiums on surety bonds	1,012	1,012
Training expenses	3,841	3,622
Travel expenses	3,971	1,719
Total other charges	$ 17,869	$ 15,142
Depreciation expense	$ 51,583	$ 48,884

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, 2011 and 2010, which collectively comprise the Hamblen County Emergency Communications District's basic financial statements and have issued our report thereon dated October 18, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely.

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.

Board of Directors

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 18, 2011