

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

Chattanooga, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

Years Ended June 30, 2011 and 2010

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

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INTRODUCTORY INFORMATION

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD MEMBERS
JUNE 30, 2011**

MANAGEMENT:

John S. Stuermer	Executive Director
Jeff Carney	Director of Operations
Wes Floyd	Director of Technical Services
Jay Donnicks	Director of Administration

BOARD MEMBERS:

Don Allen	Chairman
Richard Brown	Vice Chairman
Eddie Phillips	Secretary
Daisy Madison	Treasurer
Randy Parker	Board Member
Boyd Veal	Board Member
Jim Hammond	Board Member
Mark Mathews	Board Member
Ted Rogers	Board Member
Dan Collyer	Board Member
Bobby Dodd	Board Member

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

Our discussion and analysis of Hamilton County “911” Emergency Communications District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2011. This should be read in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

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

One of the most important questions asked about an entity’s finances is “How did we do this year?” The 2011 statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As a result of expenses being over revenues for the fiscal year ended June 30, 2011 and the decision to fully depreciate some assets to bring amortization/depreciation in-line with the District’s adopted amortization/depreciation policy, the District’s net assets decreased by approximately \$812,000 from the previous year. The District budgeted to utilize approximately \$584,000 from reserves for the fiscal year, of which \$400,000 was for the planned and limited offset of additional salary expenses under unified operations, \$157,000 for a single year of unfunded Telecommunicator pay range adjustments, which amount would be reimbursed by agencies in the next fiscal year, and for capital expenditures.

The District has historically utilized a capital-based budget versus a depreciation & amortization-based budget. During the fiscal year, the District took actions to transition the District’s budgeting procedure to a depreciation & amortization-based budget to bring it in-line with state audit guidelines. In this endeavor, the District reduced its budgeted operational expenses, less depreciation and amortization, by approximately \$448,000, ending the fiscal year with budgeted expenses being \$13,060 over revenue.

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$15,546,196, which is approximately \$812,000 less than the prior year ending net assets of \$16,358,024. Unrestricted net assets of approximately \$11 million have been designated by the Board to fund future operations and capital improvements.

Net assets and changes in net assets for the years ended June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
NET ASSETS:		
Current and other assets	\$13,112,708	\$13,645,583
Capital assets	4,501,026	4,214,390
Total assets	17,613,734	17,859,973
Current liabilities	(2,067,538)	(1,501,949)
Net assets	<u>\$15,546,196</u>	<u>\$16,358,024</u>
 Summary of net assets -		
Invested in capital assets	\$ 4,501,026	\$ 4,214,390
Unrestricted	<u>11,045,170</u>	<u>12,143,634</u>
	<u>\$15,546,196</u>	<u>\$16,358,024</u>
 CHANGES IN NET ASSETS:		
Operating revenues	\$10,778,158	\$10,447,338
Operating expenses	<u>11,623,993</u>	<u>12,881,339</u>
Operating loss	(845,835)	(2,434,001)
Nonoperating revenues, net of expenses	<u>34,007</u>	<u>72,298</u>
Changes in net assets	(811,828)	(2,361,703)
 NET ASSETS:		
Beginning	<u>16,358,024</u>	<u>18,719,727</u>
Ending	<u>\$15,546,196</u>	<u>\$16,358,024</u>

BUDGETARY HIGHLIGHTS

In order to fund unanticipated, changing needs and to prevent budget overruns, the budget for June 30, 2011, was amended between expense line items. The total expense budget remained at \$11,272,999 as originally budgeted, with actual expenses being \$10,825,225.

The line item for contingency is planned during budget preparation to cover unplanned or unusual expenses, and to fund unanticipated increases in other line items, so that the overall budget does not require an increase. Budget revisions decreased the contingency of \$30,000 to \$0.00. Additionally, the total expense budget remained at \$11,272,999 as original budgeted with actual expenses being \$10,825,225.

The actual charges to appropriations (expenses) were approximately \$450 thousand below the budgeted amount. Salaries and other personnel costs were under the amount budgeted by approximately \$214,000, primarily as a result of management's decision to not fill open personnel positions; operational adjustments provided for the reduction of budgeted expenditures for expense line items contracted services and other in the amounts of approximately \$91,000 and \$100,000 respectively. Other budget variances of approximately \$40,000 are not considered individually significant and, therefore, are not addressed here.

Expenses of \$11,623,993, reported on page 12, differ from the District's actual budgeted expenses of \$10,825,225. This difference arises because depreciation and amortization in the amount of \$798,768 are expensed for generally accepted accounting purposes, but are not budget items.

Actual revenues, in total, were greater than budgeted revenues by approximately \$124,000, with total operating revenues being over budget by approximately \$91,000, miscellaneous income being over budget by approximately \$151,000, and interest income being under budget by approximately \$118,000.

CAPITAL ASSETS

At June 30, 2011, the District had \$12,137,327 invested in capital assets such as telecommunications equipment, office equipment, and building improvements. This amount represents a net increase of \$570,492, consisting of approximately \$1.1 million in requisitions and \$500,000 in dispositions.

The District's fiscal year 2011 capital budget planned for spending of approximately \$1.1 million for capital assets including the updating of the main communications center, the replacement of communication consoles with ergonomic sit/stand consoles, as well as other equipment and technology upgrades.

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

ECONOMIC FACTORS AND PLANNING FOR FUTURE NEEDS

The implementation of countywide Unified Communications expanded the District's operational needs beyond those available in the current facility. The District has plans for a new dispatch center to accommodate the increased operational needs and the anticipated future growth in the County.

As discussed further in Note 8, the District has radio communication agreements with the City of Chattanooga and Hamilton County Government, the purpose of which is to partially reimburse the City and County for the County wide 800 MHz radio system. The remaining annual cost of these agreements is \$200,000 for the year ending June 30, 2012. The completion of these agreements is expected to enable the District to absorb the majority of the additional unification costs from its projected revenue sources.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

We have audited the accompanying financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Hamilton County "911" Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton County "911" Emergency Communications District, as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, on our consideration of Hamilton County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of operating expenses and schedule of budget to actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Johnson, Nicky & Meucham, P.C.

January 4, 2012

FINANCIAL STATEMENTS

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

	2011	2010
ASSETS:		
Cash	\$ 556,359	\$ 250,638
Certificates of deposit and money market accounts	11,846,675	12,813,431
Accounts receivable - telephone service charges	310,887	287,938
Accounts receivable - other	48,081	50,424
Accounts receivable for accumulated leave	350,703	243,152
Capital assets, net of accumulated depreciation and amortization	4,501,029	4,214,390
Total assets	17,613,734	17,859,973
LIABILITIES:		
Accounts payable	378,357	685,004
Payable to primary government	1,106,525	276,768
Accumulated leave	582,656	540,177
Total liabilities	2,067,538	1,501,949
NET ASSETS:		
Invested in capital assets	4,501,029	4,214,390
Unrestricted	11,045,167	12,143,634
Total net assets	\$ 15,546,196	\$ 16,358,024

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
OPERATING REVENUES:		
Emergency telephone service charges	\$ 2,927,458	\$ 2,999,183
State Emergency Communications Board -		
Shared wireless charge	803,614	778,233
Operational funding	1,435,919	1,250,269
Operational grants	-	10,000
Funding from local governments	5,460,199	5,409,614
Other income	150,968	39
Total operating revenues	10,778,158	10,447,338
OPERATING EXPENSES:		
Salaries and benefits	8,786,144	9,136,641
Contracted services	721,094	876,518
Supplies and materials	684,497	614,280
Other	233,490	240,708
Depreciation and amortization	798,768	1,004,433
Countywide 800 MHz project	400,000	1,008,759
Total operating expenses	11,623,993	12,881,339
OPERATING LOSS	(845,835)	(2,434,001)
NONOPERATING REVENUES:		
Interest income	34,007	72,298
CHANGE IN NET ASSETS	(811,828)	(2,361,703)
NET ASSETS:		
Beginning	16,358,024	18,719,727
Ending	\$ 15,546,196	\$ 16,358,024

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from telephone companies	\$ 2,904,509	\$ 3,024,849
Receipts from State for shared wireless revenues and operational funding	2,239,533	2,492,741
Receipts from other local governments	5,503,394	7,960,816
Receipts from others	2,565	10,039
Payments to suppliers and others	(2,005,794)	(1,242,898)
Payments for employees	(7,853,842)	(12,691,570)
Payments to City and County	(400,000)	(1,008,759)
Net cash provided (used) by operating activities	390,365	(1,454,782)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(1,085,404)	(368,061)
Net cash used by capital and related financing activities	(1,085,404)	(368,061)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	34,007	158,954
Net cash provided by investing activities	34,007	158,954
NET DECREASE IN CASH AND CASH EQUIVALENTS	(661,032)	(1,663,889)
CASH AND CASH EQUIVALENTS:		
Beginning	13,064,069	14,727,958
Ending	\$ 12,403,037	\$ 13,064,069
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash	\$ 556,359	\$ 250,638
Certificates and money market accounts	11,846,675	12,813,431
	\$ 12,403,034	\$ 13,064,069

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

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Loss from operations	\$ (845,835)	\$ (2,434,001)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities -		
Depreciation and amortization	798,768	1,004,433
Net (increase) decrease in operating assets:		
Accounts receivable	(128,157)	3,103,555
Net increase (decrease) in operating liabilities:		
Accounts payable and payable to primary government	523,110	(3,050,250)
Accumulated leave and related benefits	<u>42,479</u>	<u>(78,519)</u>
Net cash provided (used) by operating activities	<u>\$ 390,365</u>	<u>\$ (1,454,782)</u>

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

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

Financial reporting entity -

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

Basis of accounting -

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

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

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

Estimates -

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

Accounts receivable -

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

Capital assets -

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

Capital assets include the "911" database and other software. Amortization is recorded over periods of 5 to 10 years, based upon the estimated service period.

Depreciation and amortization expense was \$505,662 and \$293,106, respectively, for the year ended June 30, 2011; and \$707,641 and \$296,792, respectively, for the year ended June 30, 2010.

The amount budgeted for acquisitions for the years ended June 30, 2011 and 2010, was \$316,000 and \$952,000, respectively. Actual acquisitions for the same years were \$1,085,404 and \$368,061, respectively.

Cash and cash equivalents -

For purposes of these financial statements, the District considers money market accounts with banks and the State of Tennessee Local Government Pool, as well as certificates of deposit, to be cash equivalents.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(2) BUDGETARY CONTROL:

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

(3) CASH AND INVESTMENTS:

The District reports its cash and cash equivalents under GASB Statement Number 40, which is designed to improve financial reporting of deposit and investment risks.

At June 30, 2011, the District reports cash equivalents as follows -

	Weighted Average Maturity (Years)	Fair Value
Deposits with State of Tennessee		
Local Government Investment Pool	0.00	\$ 3,683,040
Money market accounts	0.00	7,163,666
Certificates of deposit	0.12	999,969
Total	0.08	\$11,846,675

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

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(3) CASH AND INVESTMENTS (Continued):

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

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

At June 30, 2011, certificates of deposit and bank money market funds consist of the following -

<u>Financial Institution</u>	<u>Type of Instrument</u>	<u>Interest</u>	<u>Maturity Date</u>	<u>Amount</u>
First Tennessee Bank	Certificate	0.58%	June 9, 2012	\$ 999,969
First Tennessee Bank	Money market	Variable	NA	6,105,134
First Volunteer	Money market	Variable	NA	<u>1,058,532</u>
				<u>\$8,163,635</u>

(4) BOARD DESIGNATED RESERVES:

Certificates of deposit and money market accounts are funds that have been set aside by the Board for the following, specific uses -

An operational reserve has been established to provide funds for capital expansion and for operational expenses, in the event that the District needs reserved funds to enable it to meet its continuing operational needs. At June 30, 2011, the

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(4) BOARD DESIGNATED RESERVES (Continued):

reserve consists of investments with the State of Tennessee Local Government Investment Pool, money market funds, and certificates of deposit in the amount of \$2,444,515, \$7,163,666, and \$999,969 respectively.

A risk management reserve has been established to provide for a liability plan with limited coverage for torts and other liabilities, and error and omissions of board members, employees and authorized volunteers. The reserve is intended to fund risk management claims and, at June 30, 2011, consists of investments with the State of Tennessee Local Government Investment Pool in the amount of \$1,238,525.

(5) CHANGES IN CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2011, are as follows -

	<u>Beginning</u>	<u>Additions</u>	<u>Reclasses & Retirements</u>	<u>Ending</u>
Capital assets:				
Leasehold improvements	\$ 4,576,720	\$ 9,290	\$ (7,836)	\$ 4,578,174
Furniture and fixtures	258,023	-	(37,822)	220,201
Office equipment	125,938	7,463	(24,621)	108,780
Communications equipment and software	6,570,842	811,898	(444,633)	6,938,107
Vehicles	35,312	-	-	35,312
Projects in process	-	256,753	-	256,753
	<u>11,566,835</u>	<u>1,085,404</u>	<u>(514,912)</u>	<u>12,137,327</u>
Less accumulated depreciation and amortization:				
Leasehold improvements	1,675,805	163,469	(7,836)	1,831,438
Furniture and fixtures	159,934	44,743	(37,822)	166,855
Office equipment	69,695	32,058	(24,621)	77,132
Communications equipment and software	5,426,578	554,778	(444,633)	5,536,723
Vehicles	20,433	3,720	-	24,153
	<u>7,352,445</u>	<u>798,768</u>	<u>(514,912)</u>	<u>7,636,301</u>
	<u>\$ 4,214,390</u>	<u>\$ 286,636</u>	<u>\$ -</u>	<u>\$ 4,501,026</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(6) LEASED PREMISES:

The District's operating premises, which include administrative offices and the primary communications center, are located on real property owned by the City of Chattanooga, Tennessee. A lease agreement between the two entities provides that no rent shall be charged the District as consideration, provided that all costs of construction and maintenance of the communications center are paid by the District. The termination of the communications agreement, referred to in Note 8, shall not be deemed a failure of consideration. The term of the lease, which originated April 5, 1994, is for a period of forty years. The District shall have the option to renew for two consecutive terms of forty years each upon the same terms and conditions as set forth in the lease agreement, subject to approval of the City's governing body. According to the terms of the agreement, the District shall not enter into a communication agreement with any other governmental entity for a term which extends beyond the term of this lease.

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

(7) COMPENSATED ABSENCES:

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

As a result of County-wide unification, in January, 2009, the District assumed the liability for unused, compensated absences for Hamilton County and City of Chattanooga employees who became employees of the District. At June 30, 2009, the validity of this liability to the City and County was in negotiation, and not subject to a reasonable estimate. Therefore, although the liability to the employees was recorded by the District, no receivable from the City and County was recorded.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(7) COMPENSATED ABSENCES (Continued):

During the year ended June 30, 2010, the receivable from the City was determined to be \$271,426, and the financial statements as of and for the year ending June 30, 2009, were restated. As a result of ongoing negotiations, the receivable from the County in the amount of \$148,403 was recorded in the year ending June 30, 2011, and is included in other income.

The receivable from the City is payable annually at \$27,143, through June, 2019, with a current balance of \$217,140. The receivable from the County is payable annually at \$14,840, through June, 2020, with a current balance of \$133,563.

(8) RADIO COMMUNICATION AGREEMENTS:

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

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

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

An agreement entered into in 2005 requires the District to pay a total of \$3,043,795 to the City or the County, with five annual payments of \$608,759, beginning July 1, 2005. This agreement ended in July, 2009.

Commitments relative to these agreements are as follows -

For the year ending June 30, 2012	<u>\$ 200,000</u>
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**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(9) TRANSACTIONS WITH OTHER GOVERNMENTS:

The District incurs costs relative to personnel, utilities, and other, some of which are reimbursed by the City of Chattanooga, and credited to the appropriate expense accounts. As of and for the years ended June 30, 2011 and 2010, these transactions and balances were as follows -

	2011	2010
Reimbursements:		
City of Chattanooga	\$ 112,388	\$ 128,185
Accounts receivable:		
City of Chattanooga	\$ 45,583	\$ 22,268

As a result of unified call taking and dispatching for Hamilton County, and the Cities of East Ridge, Red Bank, Collegedale, and Signal Mountain, these local governments contribute funds to the District to offset the personnel costs of those who were formerly employed by the individual governmental entities.

As of and for the years ended June 30, 2011 and 2010, the funding and amounts receivable from these entities were as follows -

	2011	2010
Funding:		
Hamilton County	\$1,743,945	\$1,743,945
City of Chattanooga	3,112,635	3,112,635
City of East Ridge	406,652	406,652
City of Red Bank	114,012	93,006
City of Collegedale	39,054	27,027
City of Signal Mountain	43,901	26,349
	\$5,460,199	\$5,409,614

Accounts receivable from those entities which had not paid in full by June 30:

Hamilton County	\$ -	\$ 17,368
City of East Ridge	-	4,201
City of Signal Mountain	-	6,587
	\$ -	\$ 28,156

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(10) RISK MANAGEMENT:

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

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

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

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

(11) RETIREMENT PLAN:

Plan description -

Employees of Hamilton County "911" Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(11) RETIREMENT PLAN (Continued):

Plan description (continued) -

the system after July 1, 1979 become vested after 5 years of service, and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamilton County "911" Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding policy -

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

Hamilton County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 10.98% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamilton County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(11) RETIREMENT PLAN (Continued):

Annual pension cost -

For the year ending June 30, 2011, Hamilton County "911" Emergency Communications District's annual pension cost of \$543,384 to TCRS was equal to Hamilton County "911" Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 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% 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 3.25 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. Hamilton County "911" Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 11 years. An actuarial valuation was performed as of July 1 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 543,384	100.00%	\$0.00
6/30/2010	\$1,077,668	100.00%	\$0.00
6/30/2009	\$ 316,110	100.00%	\$0.00

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(11) RETIREMENT PLAN (Continued):

Funded status and funding progress -

As of July 1, 2009, the most recent actuarial valuation date, the plan was 48.71% funded. The actuarial accrued liability for benefits was \$1.42 million, and the actuarial value of assets was \$0.69 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.73 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.88 million, and the ratio of the UAAL to the covered payroll was 38.85%.

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

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

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liab(AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$694	\$1,424	\$731	48.71%	\$1,880	38.85%
7/1/2007	\$315	\$ 471	\$156	66.88%	\$ 183	85.25%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore, only the two most recent valuations are presented.

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

(12) LITIGATION:

The District is currently involved in certain legal actions which are being vigorously defended. It is the opinion of management and legal counsel that these proceedings will not have a material effect on the financial position of the District.

(13) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through January 4, 2012, the date which this financial statement was available for issue.

(14) RESTATEMENT OF PRIOR YEAR:

Certain items for the prior year have been restated, for comparative purposes, to conform to the presentation of the current year.

SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
Salaries and Benefits -		
Salaries - director	\$ 93,854	\$ 93,043
Salaries - administrative	194,029	159,279
Salaries - technology	280,542	269,293
Salaries - telecommunications	5,719,954	5,619,668
Salaries - communications training officers	48,258	81,321
Compensated absences	12,582	15,031
Social security taxes	374,010	374,966
Medicare taxes	87,470	87,694
Group insurance	1,319,183	1,252,033
Retirement benefits	656,262	1,184,313
	8,786,144	9,136,641
 Contracted Services -		
Auditing services	8,500	6,500
Accounting services	2,360	4,605
Administrative fees - service charges	85,088	50,600
Contracts with government agencies	40,000	40,000
Data processing services	1,688	1,975
Janitorial services	45,320	44,580
Legal services	25,956	25,956
Maintenance agreements	365,093	543,949
Mapping/database consulting	58,485	60,304
Other consulting	15,791	15,259
Pest control	410	410
Office equipment rental	16,630	16,256
Communications equipment repairs	878	-
Building maintenance and repairs	28,211	44,268
Office equipment repair	645	-
Vehicle maintenance and repairs	1,783	1,444
Fuel - vehicles	2,746	2,069
Grounds maintenance	12,503	9,100
Interpretation services	8,971	8,245
Technology support	36	998
	721,094	876,518

	<u>2011</u>	<u>2010</u>
Supplies and Materials -		
Office supplies	\$ 10,906	\$ 6,915
Custodial supplies	9,073	8,361
Communications supplies	3,824	8,299
Postage	900	1,032
Small equipment purchases	52,269	10,808
Uniforms	26,324	13,918
Utilities - electric	81,911	85,233
Utilities - gas	6,913	12,330
Utilities - water	4,167	4,327
Telephone - communications	458,544	438,046
Telephone - administration	12,746	11,214
Telephone - cell phones and pagers	16,920	13,797
	<u>684,497</u>	<u>614,280</u>
Other -		
Board meeting expenses	543	771
Dues and memberships	3,572	2,421
Employee testing and exams	11,475	5,975
Insurance - Workers compensation	47,660	49,336
Insurance - liability	39,818	24,779
Insurance - buildings and contents	2,549	-
Insurance - equipment	3,883	6,506
Insurance - vehicles	878	-
Premiums on surety bonds	7,061	4,403
Legal notices	2,020	7,223
Licenses and taxes	6,369	12,229
Public education	37,758	30,845
Service awards and incentives	8,411	9,077
Training	21,544	24,090
Seminars and workshops	5,200	8,605
Travel	27,564	38,191
Internet charges	3,344	6,246
Miscellaneous	3,841	10,011
	<u>233,490</u>	<u>240,708</u>
800 MHz project	<u>400,000</u>	<u>1,008,759</u>
Depreciation and amortization	<u>798,768</u>	<u>1,004,433</u>
	<u>\$ 11,623,993</u>	<u>\$ 12,881,339</u>

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
REVENUES:				
Emergency telephone service charges	\$ 2,808,260	\$ 2,808,260	\$ 2,927,458	\$ 119,198
State Emergency Communications Board - Shared wireless charge	832,000	832,000	803,614	(28,386)
Operational funding	1,435,919	1,435,919	1,435,919	-
Operational grants	-	-	-	-
Funding from local governments	5,460,199	5,460,199	5,460,199	-
Interest income	152,000	152,000	34,007	(117,993)
Loss on property settlement	-	-	-	-
Other income	200	200	150,968	150,768
Total revenues	<u>10,688,578</u>	<u>10,688,578</u>	<u>10,812,165</u>	<u>123,587</u>
EXPENSES:				
Salaries and Benefits -				
Salaries - director	\$ 94,000	94,000	\$ 93,854	146
Salaries - administrative	173,100	194,100	194,029	71
Salaries - technology	269,898	280,898	280,542	356
Salaries - telecommunications	5,622,187	5,720,187	5,719,954	233
Salaries - communications training officers	118,000	118,000	48,258	69,742
Compensated absences	124,917	124,917	12,582	112,335
Social security taxes	389,186	389,186	374,010	15,176
Medicare taxes	91,020	91,020	87,470	3,550
Group insurance	1,323,947	1,323,947	1,319,183	4,764
Retirement benefits	638,955	664,155	656,262	7,893
	<u>8,845,210</u>	<u>9,000,410</u>	<u>8,786,144</u>	<u>214,266</u>
Contracted Services -				
Auditing services	8,500	8,500	8,500	-
Accounting services	2,000	2,400	2,360	40
Administrative service charges	54,000	86,000	85,088	912
Contracts with govt agencies	40,000	40,000	40,000	-
Data processing services	2,000	2,000	1,688	312
Janitorial services	50,000	50,000	45,320	4,680
Legal services	25,956	25,956	25,956	-
Legal services	10,000	10,000	-	10,000
Maintenance agreements	644,700	409,600	365,093	44,507
Mapping/database consulting	60,000	60,000	58,485	1,515
Other consulting	17,500	17,500	15,791	1,709
Pest control	500	500	410	90
Communications equipment rental	500	500	-	500
Office equipment rental	17,400	17,400	16,630	770
Communications equipment repairs	2,500	2,500	878	1,622
Building maintenance and repairs	45,000	45,000	28,211	16,789
Office equipment repair	3,500	3,500	645	2,855
Vehicle maintenance and repairs	2,500	2,500	1,783	717
Fuel - vehicles	3,800	3,800	2,746	1,054
Grounds maintenance	10,000	12,600	12,503	97
Interpretation services	8,000	9,000	8,971	29
Technology support	3,000	3,000	36	2,964
	<u>1,011,356</u>	<u>812,256</u>	<u>721,094</u>	<u>91,162</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
Supplies and Materials -				
Office supplies	\$ 11,850	\$ 11,950	\$ 10,906	\$ 1,044
Custodial supplies	8,000	9,500	9,073	427
Communications supplies	4,000	4,000	3,824	176
Postage	1,000	1,000	900	100
Small equipment purchases	31,500	59,500	52,269	7,231
Uniforms	35,000	35,000	26,324	8,676
Utilities - electric	95,000	95,000	81,911	13,089
Utilities - gas	14,000	14,000	6,913	7,087
Utilities - water	6,000	6,000	4,167	1,833
Telephone - communications	428,500	459,500	458,544	956
Telephone - administration	14,000	14,000	12,746	1,254
Telephone - cell phones and pagers	15,995	16,995	16,920	75
	<u>664,845</u>	<u>726,445</u>	<u>684,497</u>	<u>41,948</u>
Other -				
Board meeting expenses	1,400	1,400	543	857
Dues and memberships	3,800	3,800	3,572	228
Employee testing and exams	9,400	13,500	11,475	2,025
Insurance - Workers compensation	51,038	51,038	47,660	3,378
Insurance - liability	41,000	41,000	39,818	1,182
Insurance - buildings and contents	-	2,700	2,549	151
Insurance - equipment	6,600	6,600	3,883	2,717
Insurance - vehicles	-	1,000	878	122
Premiums on surety bonds	4,000	7,100	7,061	39
Legal notices	4,000	4,000	2,020	1,980
Licenses and taxes	5,400	6,800	6,369	431
Public education	70,000	70,000	37,758	32,242
Service awards and incentives	10,000	10,000	8,411	1,589
Training	50,000	50,000	21,544	28,456
Seminars and workshops	9,382	9,382	5,200	4,182
Travel	38,568	38,568	27,564	11,004
Internet charges	6,000	6,000	3,344	2,656
Miscellaneous	11,000	11,000	3,841	7,159
	<u>321,588</u>	<u>333,888</u>	<u>233,490</u>	<u>100,398</u>
Contingency	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
800 MHz project	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total expenses	<u>11,272,999</u>	<u>11,272,999</u>	<u>10,825,225</u>	<u>447,774</u>
	<u>\$ (584,421)</u>	<u>\$ (584,421)</u>	<u>\$ (13,060)</u>	<u>\$ 571,361</u>
Total Actual Budgeted Expenses -			\$ 10,825,225	
Deprecation and amortization			<u>798,768</u>	
Total GAAP basis expenses			<u>\$ 11,623,993</u>	

INTERNAL CONTROL AND COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of

Hamilton County "911" Emergency Communications District:

We have audited the financial statements of Hamilton County "911" Emergency Communications District, a component unit of Hamilton County, Tennessee, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated January 4, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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. However, we identified a deficiency in internal control over financial reporting; which is identified as finding 2010-1 in the Schedule of Findings and Responses. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Hamilton County “911” Emergency Communications District’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the response, and, accordingly, we express no opinion on it.

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

Johnson, Niskey & Meucham, P.C.

January 4, 2012

**HAMILTON COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011 AND 2010**

CURRENT YEAR FINDING:

2011-1 CONTROLS OVER THE FINANCIAL REPORTING PROCESS:

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

Views of Management:

Management considers that the cost of correcting this significant deficiency would exceed the benefits achieved, and has no plans to employ a professional with these skills and qualifications.

Auditor Response:

We consider that we have reported what we view as management's responsibility, as well as recommending a correction for the deficiency.

