

*Financial Statements*

HANCOCK COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2011

## TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
FINANCIAL STATEMENTS	
Statement of Net Assets	6
Statement of Revenue, Expenses and Change in Net Assets	7-8
Statement of Cash Flows	9
Notes to the Financial Statements	10-13
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenue and Expenses - Actual and Budget	14-15
Board of Directors	16
Expenditures of State Awards	17
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 <i>Government Auditing Standards</i>	18-19

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, 2011 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 organization'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, 2011, 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 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 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hancock County Emergency Communications District's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 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 basic financial statements. Such information has not been subjected to the auditing procedures applied in 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 October 18, 2011 on our consideration of Hancock County Emergency Communications District's internal control over financial reporting and 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.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

October 18, 2011

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, 2011. 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 \$186,589 for the year ended June 30, 2011 and \$166,682 for the year ended June 30, 2010.

## NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Current assets	\$ 276,294	\$ 213,319
Capital assets	<u>61,828</u>	<u>97,117</u>
Total Assets	<u>\$ 338,122</u>	<u>\$ 310,436</u>
Current liabilities	\$ 539	\$ 4,141
Net assets:		
Invested in capital assets	61,828	97,117
Unrestricted	<u>275,755</u>	<u>209,178</u>
Total Net Assets	<u>\$ 338,122</u>	<u>\$ 310,436</u>

## CHANGE IN NET ASSETS

Operating revenue	\$ 196,188	\$ 172,391
Operating expenses	<u>186,589</u>	<u>166,682</u>
Operating income	9,599	5,709
Non-operating income	<u>21,688</u>	<u>20,497</u>
Change in net assets	31,287	26,206
Beginning net assets	<u>306,296</u>	<u>280,090</u>
Ending net assets	<u>\$ 337,583</u>	<u>\$ 306,296</u>

Net assets of the District increased by 10% during 2011 and increased by 10% during 2010. Unrestricted net assets, the portion of the net assets that can be used to finance day-to-day operations were \$275,755 or 83% of total net assets for 2011 and \$209,178 or 68% of total net assets for 2010.

## 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>2011</u>	<u>2010</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 275,755	\$ 209,178
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	512 to 1	52 to 1

Days Cash and Investments (represents the number of days' normal operations could continue with no revenue collections)	574 days	556 days
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	9%	8%

**CAPITAL ASSETS**

At June 30, 2011 and 2010, the District had amounts invested in capital assets as outlined below.

	<u>2011</u>	<u>2010</u>
Communications equipment	\$ 213,007	\$ 214,856
Office equipment	2,420	2,601
Vehicles	<u>17,700</u>	<u>17,700</u>
	233,126	235,157
Less accumulated depreciation	<u>(171,298)</u>	<u>(138,040)</u>
	<u>\$ 61,828</u>	<u>\$ 97,117</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:

Bobby Johnson  
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, 2011

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 261,782
Accounts receivable		9,190
Due from TECB		2,943
Prepaid insurance		<u>2,378</u>

**TOTAL CURRENT ASSETS** 276,294

**CAPITAL ASSETS**

Communications equipment	\$ 213,007	
Office equipment	2,420	
Vehicle	<u>17,700</u>	
	233,126	
Accumulated depreciation	<u>(171,298)</u>	<u>61,828</u>

**TOTAL ASSETS** \$ 338,122

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable		\$ 539
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**NET ASSETS**

Invested in capital assets	\$ 61,828	
Unrestricted	<u>275,755</u>	<u>337,583</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 338,122

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, 2011

**OPERATING REVENUE**

Emergency telephone service charges		\$ 54,338
TECB-shared wireless charge		17,740
TECB-operational funding program		<u>124,109</u>

**TOTAL OPERATING REVENUE** 196,188

**OPERATING EXPENSES**

Salaries and wages:		
Director	\$ 34,000	
Dispatchers	<u>14,264</u>	48,264

Employee benefits:		
Medical insurance	7,599	
Social security	3,692	
Unemployment	<u>117</u>	11,409

Contracted services:		
Audit	4,100	
Fees paid to service providers	45,000	
Maintenance agreements	15,317	
Maintenance and repairs-buildings and facilities	244	
Maintenance and repairs-equipment	1,558	
Maintenance and repairs-vehicles	<u>6,612</u>	72,831

Supplies and materials:		
Office supplies	3,267	
Postage	43	
Small equipment purchases	360	
Utilities-general telephone	<u>9,939</u>	13,609

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**  
 (continued)

Year Ended June 30, 2011

Other charges:		
Insurance		5,188
Depreciation		<u>35,289</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>186,589</u>
<b>INCOME FROM OPERATIONS</b>		9,599
<b>NONOPERATING REVENUE</b>		
TECB-grants	18,000	
Interest income	<u>3,688</u>	<u>21,688</u>
<b>CHANGE IN NET ASSETS</b>		31,287
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>		<u>306,296</u>
<b>NET ASSETS AT THE END OF THE YEAR</b>		<u><u>\$ 337,583</u></u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2011

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from telephone charges	\$ 196,293
Cash paid to suppliers	(106,637)
Cash paid to employees	<u>(48,264)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	41,392
<b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
TECB grants	18,000
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest income	<u>3,688</u>
<b>NET INCREASE IN CASH</b>	63,080
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>198,702</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 261,782</u></u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Income from operations	\$ 9,599
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	\$ 35,289
(Increase)decrease in:	
Accounts receivable	134
Due from TECB	(29)
(Decrease) in accounts payable	<u>(3,602)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 41,392</u></u>

See the accompanying notes to the financial statements.

# HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### **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 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 nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as nonoperating 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, 2011

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2011 has been calculated as follows:

Capital assets	\$ 233,126
Accumulated depreciation	<u>(171,298)</u>
	<u>\$ 61,828</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, 2011.

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, 2011, 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, 2011

**NOTE C - CASH**

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 local government investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2011 were held by the Hancock County Trustee in the District's name and were insured through the Federal Deposit Insurance Corporation.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 214,856	\$ 0	\$ (1,849)	\$ 213,007
Office equipment	2,601	0	(181)	2,420
Vehicle	<u>17,700</u>	<u>0</u>	<u>0</u>	<u>17,700</u>
	235,157	0	(2,030)	233,126
<u>Accumulated depreciation</u>				
Communications equipment	(121,879)	(33,449)	1,849	(153,479)
Office equipment	(2,601)	0	181	(2,420)
Vehicle	<u>(13,560)</u>	<u>(1,840)</u>	<u>0</u>	<u>(15,400)</u>
	<u>(138,040)</u>	<u>(35,289)</u>	<u>2,030</u>	<u>(171,298)</u>
	<u>\$ 97,117</u>	<u>\$ (35,289)</u>	<u>\$ 0</u>	<u>\$ 61,828</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 and workers' compensation 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, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 54,338	\$ 52,000	\$ 2,338
TECB-shared wireless charge	17,740	18,000	(260)
TECB-operational funding program	<u>124,109</u>	<u>142,100</u>	<u>(17,991)</u>
<b>TOTAL OPERATING REVENUE</b>	196,188	212,100	(15,912)
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	34,000	34,000	0
Dispatchers	<u>14,264</u>	<u>10,000</u>	<u>4,264</u>
	48,264	44,000	4,264
Employee benefits:			
Medical insurance	7,599	3,000	4,599
Social security	3,692	2,500	1,192
Unemployment	<u>117</u>	<u>100</u>	<u>17</u>
	11,409	5,600	5,809
Contracted services:			
Audit	4,100	3,800	300
Fees paid to service providers	45,000	65,000	(20,000)
Maintenance agreements	15,317	18,000	(2,683)
Maintenance and repairs- buildings and facilities	244	500	(257)
Maintenance and repairs-equipment	1,558	2,000	(442)
Maintenance and repairs-vehicles	<u>6,612</u>	<u>2,000</u>	<u>4,612</u>
	72,831	91,300	(18,469)
Supplies and materials:			
Office supplies	3,267	2,900	367
Postage	43	50	(7)
Small equipment purchases	360	0	360
Utilities-general telephone	<u>9,939</u>	<u>15,200</u>	<u>(5,262)</u>
	13,609	18,150	(4,541)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2011

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Other charges:			
Dues and subscriptions	0	200	(200)
Insurance	5,188	5,900	(712)
Training	0	500	(500)
Travel	0	300	(300)
	<u>5,188</u>	<u>6,900</u>	<u>(1,712)</u>
Depreciation	<u>35,289</u>	<u>37,000</u>	<u>(1,711)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>186,589</u>	<u>202,950</u>	<u>(16,361)</u>
<b>INCOME FROM OPERATIONS</b>	9,599	9,150	449
<b>NONOPERATING REVENUE</b>			
TECB grants	18,000	0	18,000
Interest income	3,688	0	3,688
	<u>21,688</u>	<u>0</u>	<u>21,688</u>
<b>CHANGE IN NET ASSETS</b>	31,287	9,150	22,137
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<u>306,296</u>	<u>306,296</u>	<u>0</u>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<u>\$ 337,583</u>	<u>\$ 315,446</u>	<u>\$ 22,137</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2011

Bobby Johnson  
Michael Antrican  
Alan Dale Davis  
Michelle Hopkins  
Dean Rhea  
Clem D. Seal  
Leamon Maxey  
John McNeil, Jr.  
David Smith

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2011

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>State Grantor</u>
N/A	GIS Mapping Upgrade	Tennessee Department of Commerce and Insurance
N/A	Rural Dispatcher	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2011</u>
\$ 0	\$ 10,000	\$ 10,000	\$ 0
<u>0</u>	<u>8,000</u>	<u>8,000</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 0</u>

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 financial statements of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, as of and for the year ended June 30, 2011, 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 of America.

Internal Control Over Financial Reporting

Management of Hancock County Emergency Communications District is responsible for establishing and maintaining effective 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 an 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 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 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 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 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*.

However, we noted certain matters that we have reported to the management of Hancock County Emergency Communications District in a separate letter dated October 18, 2011.

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.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

October 18, 2011