

Financial Statements

HANCOCK COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2012

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Hancock County Emergency Communications District
Sneedville, Tennessee

We have audited the accompanying statement of net assets of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, as of June 30, 2012 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 the 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, 2012 and the changes in its financial positions and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hancock County Emergency Communications District's financial statements as a whole. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not required part of the financial statements. The schedule of expenditures of state awards and statement of revenue and expenses - actual and budget 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 or to 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 taken as a whole. The schedule of the board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013 on our consideration of Hancock County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 other matters 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.

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

February 4, 2013

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, 2012. 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 \$181,203 for the year ended June 30, 2012 and \$186,589 for the year ended June 30, 2011.

NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Current assets	\$ 356,264	\$ 276,294
Capital assets	<u>27,519</u>	<u>61,828</u>
Total Assets	<u>\$ 383,783</u>	<u>\$ 338,122</u>
Current liabilities	\$ 688	\$ 539
Net assets:		
Invested in capital assets	27,519	61,828
Restricted	15,323	0
Unrestricted	<u>340,252</u>	<u>275,755</u>
Total Net Assets	<u>383,095</u>	<u>337,583</u>
	<u>\$ 383,783</u>	<u>\$ 338,122</u>

CHANGE IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 191,520	\$ 196,188
Operating expenses	<u>181,203</u>	<u>186,589</u>
Operating income	10,317	9,599
Non-operating income	<u>35,195</u>	<u>21,688</u>
Change in net assets	45,511	31,287
Beginning net assets	<u>337,583</u>	<u>306,296</u>
Ending Net Assets	<u>\$ 383,095</u>	<u>\$ 337,583</u>

Net assets of the District increased by 13% during 2012 and by 10% during 2011. Unrestricted net assets, the portion of the net assets that can be used to finance day-to-day operations were \$340,252 or 89% of total net assets for 2012 and \$275,755 or 82% of total net assets for 2011.

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>2012</u>	<u>2011</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 355,576	\$ 275,755

Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	518 to 1	512 to 1
Days Cash and Investments (represents the number of days’ normal operations could continue with no revenue collections)	689 days	512 days
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	12%	9%

CAPITAL ASSETS

At June 30, 2012 and 2011, the District had amounts invested in capital assets as outlined below.

	<u>2012</u>	<u>2011</u>
Communications equipment	\$ 211,182	\$ 213,007
Office equipment	523	2,420
Vehicles	<u>17,700</u>	<u>17,700</u>
	229,404	233,126
Less accumulated depreciation	<u>(201,885)</u>	<u>(171,298)</u>
	<u>\$ 27,519</u>	<u>\$ 61,828</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, 2012

ASSETS

CURRENT ASSETS

Cash		\$ 342,170
Accounts receivable		8,574
Due from TECB		2,626
Prepaid insurance		<u>2,893</u>

TOTAL CURRENT ASSETS 356,264

CAPITAL ASSETS

Communications equipment	\$ 211,182	
Office equipment	523	
Vehicle	<u>17,700</u>	
	229,404	
Accumulated depreciation	<u>(201,885)</u>	<u>27,519</u>

TOTAL ASSETS \$ 383,783

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 688
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NET ASSETS

Invested in capital assets	\$ 27,519	
Restricted for mapping	15,323	
Unrestricted	<u>340,252</u>	<u>383,095</u>

TOTAL LIABILITIES AND NET ASSETS \$ 383,783

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, 2012

OPERATING REVENUE

Emergency telephone service charges		\$ 51,515
TECB-shared wireless charge		15,897
TECB-operational funding program		<u>124,109</u>

TOTAL OPERATING REVENUE 191,520

OPERATING EXPENSES

Salaries and wages:		
Director	\$ 34,106	
Part-time personnel	<u>8,450</u>	42,556

Employee benefits:		
Social security	3,519	
Medical insurance	7,273	
Unemployment tax	<u>124</u>	10,916

Contracted services:		
Audit	4,400	
Contracts with private agencies	45,900	
Maintenance agreements	15,317	
Maintenance and repairs-equipment	1,576	
Maintenance and repairs-vehicles	<u>6,683</u>	73,876

Supplies and materials:		
Office supplies	2,610	
Postage	30	
Utilities-general telephone	<u>11,540</u>	14,180

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

Year Ended June 30, 2012

Other charges:		
Dues and memberships	200	
Insurance	4,699	
Travel expenses	468	5,367
Depreciation		34,309
TOTAL OPERATING EXPENSES		181,203
INCOME FROM OPERATIONS		10,317
NONOPERATING REVENUE		
TECB-grants	34,061	
Interest income	1,134	35,195
CHANGE IN NET ASSETS		45,511
NET ASSETS AT THE BEGINNING OF THE YEAR		337,583
NET ASSETS AT THE END OF THE YEAR		\$ 383,095

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 192,453
Cash paid to suppliers	(104,705)
Cash paid to employees	<u>(42,556)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,193
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	
TECB grants	34,061
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest income	<u>1,134</u>
NET INCREASE IN CASH	80,387
CASH AT THE BEGINNING OF THE YEAR	<u>261,782</u>
CASH AT THE END OF THE YEAR	<u>\$ 342,170</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Income from operations	\$ 10,317
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	\$ 34,309
(Increase)decrease in:	
Accounts receivable	616
Due from TECB	317
Prepaid insurance	(515)
Increase in accounts payable	<u>149</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 45,193</u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenue, expenses and changes in net assets presents increases (revenue) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which 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 of the District. All other expenses are reported as nonoperating expenses.

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, 2012

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2012 has been calculated as follows:

Capital assets	\$ 229,404
Accumulated depreciation	<u>(201,885)</u>
	<u>\$ 27,519</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 \$15,323 in restricted net assets as of June 30, 2012. These restricted net assets represent unspent geographic information system (GIS) mapping grant funds received from the State of Tennessee Emergency Communications Board.

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, 2012, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, 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, 2012

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

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, nonconvertible 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 of Tennessee 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, 2012 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, 2012

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 213,007	\$ 0	\$ (1,825)	\$ 211,182
Office equipment	2,420	0	(1,897)	523
Vehicle	<u>17,700</u>	<u>0</u>	<u>0</u>	<u>17,700</u>
	233,126	0	(3,722)	229,404
<u>Accumulated depreciation</u>				
Communications equipment	(153,479)	(32,469)	1,825	(184,121)
Office equipment	(2,420)	0	1,897	(523)
Vehicle	<u>(15,400)</u>	<u>(1,840)</u>	<u>0</u>	<u>(17,240)</u>
	<u>(171,298)</u>	<u>(34,309)</u>	<u>3,722</u>	<u>(201,885)</u>
	<u>\$ 61,828</u>	<u>\$ (34,309)</u>	<u>\$ 0</u>	<u>\$ 27,519</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.

SUPPLEMENTARY INFORMATION

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 51,515	\$ 52,000	\$ (485)
TECB-shared wireless charge	15,897	18,000	(2,103)
TECB-operational funding program	<u>124,109</u>	<u>142,100</u>	<u>(17,991)</u>
TOTAL OPERATING REVENUE	191,520	212,100	(20,580)
OPERATING EXPENSES			
Salaries and wages:			
Director	34,106	38,107	(4,001)
Part-time personnel	<u>8,450</u>	<u>12,000</u>	<u>(3,550)</u>
	42,556	50,107	(7,551)
Employee benefits:			
Social security	3,519	3,519	0
Medicare	0	704	(704)
Medical insurance	7,273	7,700	(427)
Unemployment	<u>124</u>	<u>200</u>	<u>(76)</u>
	10,916	12,123	(1,207)
Contracted services:			
Audit	4,400	4,400	0
Contracts with private agencies	45,900	56,969	(11,069)
Maintenance agreements	15,317	15,317	(0)
Maintenance and repairs- buildings and facilities	0	500	(500)
Maintenance and repairs-equipment	1,576	2,000	(424)
Maintenance and repairs-vehicles	<u>6,683</u>	<u>6,620</u>	<u>63</u>
	73,876	85,806	(11,930)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Supplies and materials:			
Office supplies	2,610	3,900	(1,290)
Postage	30	75	(45)
Small equipment purchases	0	400	(400)
Utilities-general telephone	11,540	13,200	(1,660)
	<u>14,180</u>	<u>17,575</u>	<u>(3,395)</u>
Other charges:			
Dues and memberships	200	200	0
Insurance	4,699	5,900	(1,201)
Training expenses	0	500	(500)
Travel expenses	468	468	0
	<u>5,367</u>	<u>7,068</u>	<u>(1,701)</u>
Depreciation	<u>34,309</u>	<u>37,000</u>	<u>(2,691)</u>
TOTAL OPERATING EXPENSES	<u>181,203</u>	<u>209,679</u>	<u>(28,476)</u>
INCOME FROM OPERATIONS	10,317	2,421	7,896
NONOPERATING REVENUE			
TECB grants	34,061	0	34,061
Interest income	1,134	0	1,134
	<u>35,195</u>	<u>0</u>	<u>35,195</u>
CHANGE IN NET ASSETS	45,511	2,421	43,090
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>337,583</u>	<u>337,583</u>	<u>0</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 383,095</u>	<u>\$ 340,004</u>	<u>\$ 43,090</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2012

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, 2012

<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.

(Unexpended) <u>July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	(Unexpended) <u>June 30, 2012</u>
\$ 0	\$ 26,061	\$ 10,737	\$ (15,323)
<u>0</u>	<u>8,000</u>	<u>8,000</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 34,061</u>	<u>\$ 18,737</u>	<u>\$ (15,323)</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, 2012, and have issued our report thereon dated February 4, 2013. 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 Hancock County Emergency Communications District'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 February 4, 2013.

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.

February 4, 2013