

Claiborne County Emergency Communications District, Inc.

**Financial Statements with
Accompanying Information
Year Ended June 30, 2008**
and
Independent Auditors' Report

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Financial Statements	
Balance Sheet	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 16
Required Supplementary Information	17
Accompanying Information:	
Schedule of Revenues and Expenditures - Budget and Actual	18 - 19
Schedule of Insurance in Force	20
Schedule of Information Required by the Tennessee Emergency Communications Board	21
Schedule of Expenditures of State Awards	22
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>	23 - 24
Schedule of Audit Findings	25



HG&A ASSOCIATES, P.C.
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Claiborne County Emergency Communications District, Inc.
Tazewell, Tennessee

We have audited the accompanying balance sheet of the Claiborne County Emergency Communications District, Inc., a component unit of Claiborne County, Tennessee, as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

As discussed in Note 10, the Claiborne County Emergency Communications District adopted applicable provisions of Governmental Accounting Standards Board Statement No. 50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27 as of July 1, 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Claiborne County Emergency Communications District, Inc. as of June 30, 2008, and the results of its operations and its cash flows for the year 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 March 23, 2009 on our consideration of Claiborne County Emergency Communications District, Inc.'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. This 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.

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell

P.O. Box 50846, Knoxville, TN 37950-0846 • Telephone (865) 691-8000 • FAX (865) 691-3064 • 6504 Deane Hill Drive, Knoxville, TN 37919



The CPA. Never Underestimate The Value.

Our audit was made for the purpose of forming an opinion on the financial statements of the Claiborne County Emergency Communications District, Inc. taken as a whole. The accompanying information included on pages 18 through 21 and the schedule of state awards on page 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Management's discussion and analysis on pages 3 to 6 and the schedule of funding progress of the pension plan on page 17 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted by 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 supplementary information. However, we did not audit the information and express no opinion on it.

HG+A Associates, P.C.

March 23, 2009

Management's Discussion and Analysis

Our discussion and analysis of the Claiborne County E-911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. This should be read in conjunction with the District's financial statements which may be found on pages 7 to 16.

The Balance Sheets and the Statements of Revenue, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The balance sheet and statement of revenue, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis 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 changes in net assets. Net assets -- the difference between assets and liabilities -- are 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. An analysis of net assets and changes in net assets is as follows:

Condensed Balance Sheets

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 527,501	473,735
Capital assets	<u>287,550</u>	<u>323,451</u>
Total assets	<u>\$ 815,051</u>	<u>797,186</u>
Current liabilities	<u>\$ 15,240</u>	<u>11,320</u>
Net assets:		
Invested in capital assets	287,550	323,451
Unrestricted	<u>512,261</u>	<u>462,415</u>
Total net assets	<u>799,811</u>	<u>785,866</u>
Total liabilities and net assets	<u>\$ 815,051</u>	<u>797,186</u>

Revenues, Expenses and Changes in Net Assets are as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Bell South emergency service charges	\$ 101,163	103,271
Century emergency service charges	162,074	170,350
Other emergency service charges	6,948	6,950
Tennessee ECB shared wireless charges	57,384	74,390
Operational funding	104,081	104,081
Other	<u>1,370</u>	<u>815</u>
Total operating revenues	433,020	459,857
Total operating expenses	<u>457,418</u>	<u>520,180</u>
Operating loss	(24,398)	(60,323)
Non-operating revenues	33,768	24,164
Non-operating expenses	-	(3,040)
Capital contributions	<u>4,575</u>	<u>79,848</u>
Change in net assets	13,945	40,649
Net assets - beginning of the year	<u>785,866</u>	<u>745,217</u>
Net assets - end of the year	<u>\$ 799,811</u>	<u>785,866</u>

Analysis of Financial Position and Results of Operations

The District's net assets increased \$13,945 over the previous year. Operating revenues decreased \$26,837 (5.84%) due to a decrease in the Tennessee ECB shared wireless charge funding. Operating expenditures decreased 12.1%, primarily due to a decrease in expenses resulting from contracts with government agencies. Capital contributions decreased significantly (\$75,273) due to a decrease in TECB grant revenues received in the current year.

The District's Net Assets

The District completed the year with net assets of \$799,811, an increase of \$13,945 over the previous year.

Budgetary Highlights

In an attempt to prevent budget overruns, the line items within the final budget were amended without increasing the overall budget. Decreases in administration personnel salaries of \$8,000, full-time dispatchers salaries of \$5,000, data processing \$500, mapping database consultants of \$1,000, small equipment purchases of \$16,592, and public education of \$1,000 offset increases in part-time dispatchers of \$10,596, contracts with government agencies of \$16,592, equipment maintenance of \$500, building maintenance of \$500, gas of \$1,000, bank fees of \$50, licenses and fees of \$704, travel of \$1,700, and depreciation of \$100.

Capital Assets

At the end of the accounting period, The District had \$287,550 in capital assets such as telecommunications and office equipment, building and improvements. This amount represents a decrease of \$35,901, or 11%, due primarily from depreciation.

Capital Assets (net of depreciation)

		<u>2008</u>	<u>2007</u>
Furniture and equipment	\$	287,550	323,451
	\$	287,550	323,451

Additional information concerning capital assets can be found in Note 9 of the notes to financial statements.

Financial Activity and Plans for Future Needs

The District relocated to the new E-911 Communications Center located in the Claiborne County Justice Center in April 2006. Along with the new E-911 center, the District received new E-911 equipment, radio tower, a computer aided dispatch (CAD) system, and NCIC software. The size of the new E-911 facility provides sufficient operational space and provides space for future growth. The one area that the District must address is the requirement of the State 911 board to have a contingency plan in place to be able to continue to operate if the District's facility or equipment became inoperable due to natural or manmade disasters. Currently, the City of Harrogate is constructing a new building to house the city fire and County EMS. The District is working with the EMS Director to obtain sufficient office space within the EMS area to establish a backup communications facility in case of an emergency evacuation of the current facility. This project will entail installing 911 trunk communications lines, administrative telephone lines, establishing radio communications, and purchasing 911 PSAP equipment for emergencies.

Currently Claiborne E-911's operating revenue is insufficient to cover operating expenditures. This is created by the lack of funding of the cost of call-taking and dispatch services by the County or any of the four Cities. The County funds less than \$16,000 for mapping and addressing functions. The Sheriff and three of the four cities fund the cost of the NCIC data line. This in fact, created a situation where Claiborne E-911 used 911 revenues to cover dispatcher's salaries and benefits when those monies should have been reserved for replacement and/or upgrade of current E-911 equipment. One area that the District will address in the FY 08/09 Budget Year is review staffing levels of the number of dispatchers. Currently, there are two dispatchers on duty 24/7 with a third part-time dispatcher on Friday and Saturday swing shift. Call volume now requires a third dispatcher on swing shift.

The District's E-911 equipment was purchased in March 2006. Average life-expectancy of E-911 equipment is three to five years. The State Emergency Communications Board has approved a plan to replace the current E-911 wire-line system with an Internet Protocol (IP) platform. We anticipate that our system will have to be upgraded to handle the IP platform. We also anticipate that the expenses of any required upgrades will be reimbursed by the State 911 board. The District also established a budget line item in the FY 06/07 annual budget for restricted retained earnings for Equipment in the amount of \$20,000 and added another \$20,000 in the FY 07/08 budget. The District plans to add \$20,000 to this line item as the budget permits.

The State E-911 Board approved an operational funding program for the Districts on October 31, 2006. This new funding program will include all wireless distributions accruing since July 1, 2006. This funding program changes wireless funds received from the State ECB board to Claiborne E-911 as follows:

Old operational funding program:

\$	50,215	- 25 percent distribution
	30,000	- Rural dispatcher grant
	10,000	- GIS maintenance grant
	<u>90,215</u>	
\$	<u><u>90,215</u></u>	

New operational funding program:

\$	50,215	- 25 percent distribution
	40,000	- Each ECD receives
	64,000	- Cost based allocation by population
	10,000	- GIS maintenance grant
	<u>164,215</u>	
\$	<u><u>164,215</u></u>	

Technology advances and regulatory changes will continue to play major roles in the expenses and revenues for E-911s in the future. Technologies like VoIP, wireless, local number portability, NG911, and the decrease of landline telephones will all have negative impacts on the District's expense and revenue.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Balance Sheet
June 30, 2008

Assets

Current assets:	
Cash	\$ 139,238
Temporary investments	351,554
Accounts receivable:	
Telephone surcharges	22,907
Other governments	12,167
Prepaid insurance	1,635
Total current assets	<u>527,501</u>
Capital assets:	
Furniture and fixtures	439,562
Vehicles	23,100
Less: accumulated depreciation	<u>(175,112)</u>
	<u>287,550</u>
Total assets	<u>\$ 815,051</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 807
Accrued wages	10,531
Other accrued expenses	3,902
Total current liabilities	<u>15,240</u>
Net assets:	
Invested in capital assets	287,550
Unrestricted net assets	<u>512,261</u>
Total net assets	<u>799,811</u>
Total liabilities and net assets	<u>\$ 815,051</u>

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

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

Operating revenues:	
Emergency telephone service charges	\$ 270,185
Shared wireless charges	57,384
Operational funding	104,081
Other operational revenues	<u>1,370</u>
Total operating revenues	<u>433,020</u>
Operating expenses:	
Salaries and wages	291,166
Employee benefits	53,658
Contracted services	37,879
Lease/rental	1,262
Maintenance and repairs	4,426
Supplies and materials	4,563
Utilities	5,739
Other charges	19,651
Depreciation and amortization	<u>39,074</u>
Total operating expenses	<u>457,418</u>
Operating loss	<u>(24,398)</u>
Nonoperating revenues:	
Interest revenue	14,541
Contracted services	<u>19,227</u>
Total nonoperating revenues	<u>33,768</u>
Income before contributions	9,370
Capital contributions	<u>4,575</u>
Change in net assets	13,945
Total net assets, beginning of year	<u>785,866</u>
Total net assets, end of year	<u>\$ 799,811</u>

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

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 464,000
Cash payments for goods and services	(72,527)
Cash payments for employees	(341,897)
Net cash provided by operating activities	<u>49,576</u>
Cash flows from capital and related financing activities:	
Capital contributions	4,575
Acquisition of property and equipment	(3,173)
Net cash provided by capital and related financing activities	<u>1,402</u>
Cash flows from investing activities:	
Interest received	14,541
Temporary investments purchased	(44,001)
Net cash used by investing activities	<u>(29,460)</u>
Net increase in cash	21,518
Cash, beginning of year	<u>117,720</u>
Cash, end of year	<u>\$ 139,238</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(24,398)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	39,074
Contracted services	19,227
Changes in operating assets and liabilities:	
(Increase) decrease in operating assets:	
Accounts receivable - telephone surcharges	(15)
Due from other governments	11,768
Increase (decrease) in operating liabilities:	
Accounts payable	(43)
Accrued expenses	3,963
Total adjustments	<u>73,974</u>
Net cash provided by operating activities	<u>\$ 49,576</u>

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

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Nature of Business

The Claiborne County Emergency Communications District, Inc. (the District), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the Claiborne County, Tennessee Commissioners on September 21, 1992, after adoption by public referendum. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors who are appointed by the District's primary government.

The District is a discretely presented component unit of Claiborne County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Claiborne County, Tennessee report. The District is considered a discretely presented component unit of Claiborne County, Tennessee as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14, because the District would be unable to issue debt without going through Claiborne County, Tennessee.

(b) Basis of Accounting

The financial statements of the District are reported on the accrual basis of accounting. In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts issued by the Tennessee Office of the Comptroller of the Treasury, the District is required to apply all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with those of the Governmental Accounting Standards Board. After November 30, 1989 the District is required to follow only GASB guidance and not follow any FASB guidance issued after that date.

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

(c) Receivable

The accounts receivable from telephone surcharges of \$22,907 primarily represents amounts due from Century Telephone and Bell South for the surcharge on Claiborne County telephone services for the month of June 2008.

The accounts receivable from other governments of \$12,167 represents amounts due from the State of Tennessee for wireless commissions and grants due for the months of March 2008 through June 2008.

(d) Capital Assets

Capital assets, including capital lease assets, are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets that range from 3 to 10 years.

(e) Cash and Cash Equivalents

The District considers all unrestricted deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

(f) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Income Taxes

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from Federal income taxes.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(2) Bank Deposits

The District's deposits with financial institutions consist of the following at June 30, 2008:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash:				
Checking	N/A	.25%	\$ <u>139,238</u>	<u>141,468</u>
Temporary investments:				
18 month time deposit	November 15, 2009	1.64%	\$ 118,250	118,250
Certificate of deposit	October 1, 2009	1.57%	<u>233,304</u>	<u>233,304</u>
			\$ <u>351,554</u>	<u>351,554</u>

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As required by state statutes, the District's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the District or its agent in the District's name. At June 30, 2008, however, bank deposits exceeded amounts insured and collateralized by \$26,554.

State statutes authorize the District to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit other time deposits and repurchase agreements. The District's investment policy follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301. All of the District's temporary investments are in certificates of deposit with an original maturity date of eighteen months. The District places no restriction on the amount that it may invest with any one issuer.

(3) Other Assets

Included in other assets are installation costs of the communications system, which are being amortized over ten years using the straight-line method.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(4) Leases

Operating Lease

The District's base of operations is located at the Claiborne County Justice Center. An agreement between the District and Claiborne County specifies that the District will not have to pay rent or utilities as long as the District provides Claiborne County with emergency communication related services.

(5) Operating Revenues

The District's primary sources of revenue are from surcharges imposed on Claiborne County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services that are collected and disbursed by the Tennessee Emergency Communications Board.

(6) Compensated Absences

Under the District's vacation policy, full-time employees with at least six months of service earn five (5) days of annual leave available for use after one year of service.

Vacation days may be accumulated and carried forward in an amount not to exceed five (5) days. Vacation pay vests with the employee. At June 30, 2008, the accrued liability for vacation pay was nominal and was not included on the accompanying balance sheet.

Full-time employees are also eligible to earn sick leave after six months of service. Eligible employees earn twelve (12) days of sick leave per year. Unused sick leave is paid in the month of the employee's birthday upon request, except that five (5) sick leave days are carried forward at all times. Sick leave does not vest with the employee and is not paid upon termination or resignation.

(7) 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. For the year ended June 30, 2008, the District was insured against potential losses associated with these risks through the purchase of commercial insurance. There were no reductions in coverage in 2008 from those in 2007. In addition, there have been no losses in excess of insurance coverage during the last three years.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(8) Pension Plan

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the 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://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

The District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 8.58% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(8) Pension Plan (continued)

Annual Pension Cost

For the year ending June 30, 2008, the District’s annual pension cost of \$15,172 to TCRS was equal to the District’s required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-year period. The 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, 2005 was 15 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 15,172	100.00%	\$ -
6/30/07	18,488	100.00%	-
6/30/06	19,627	100.00%	-

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 88.64% percent funded. The actuarial accrued liability for benefits was \$0.17 million, and the actuarial value of assets was \$0.15 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.18 million, and the ratio of the UAAL to the covered payroll was 11.07% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2008

(8) Pension Plan (continued)

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.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Ratio (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2007	\$ 153	\$ 173	\$ 20	88.64%	\$ 177	11.07%

(9) Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Cost				Accumulated Depreciation			
	Balance		Retirements		Balance		Retirements	
	June 30, 2007	Additions	and Transfers	Balance June 30, 2008	June 30, 2007	Depreciation	and Transfers	Balance June 30, 2008
Furniture and fixtures	\$ 436,389	3,173	-	439,562	112,938	39,074	-	152,012
Vehicle	23,100	-	-	23,100	23,100	-	-	23,100
	<u>\$ 459,489</u>	<u>3,173</u>	<u>-</u>	<u>462,662</u>	<u>136,038</u>	<u>39,074</u>	<u>-</u>	<u>175,112</u>

(10) Change in Accounting Principles

Effective July 1, 2007 the District adopted provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. Statement No. 50 requires that the schedule of funding progress for the current year be presented in the notes to the financial statements. The Statement also requires that the schedule be prepared using the entry age actuarial cost method instead of the frozen initial liability actuarial cost method that was previously utilized.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Required Supplementary Information
June 30, 2008

RETIREMENT PLAN – SCHEDULE OF FUNDING PROGRESS

The following information is presented for the most recent actuarial valuations:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Ratio (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2007	\$ 153	\$ 173	\$ 20	88.64%	\$ 177	11.07%

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 was a change made during the year and therefore only the most current year is presented.

ACCOMPANYING INFORMATION

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 276,090	270,185	(5,905)
Shared wireless charges	61,500	57,384	(4,116)
Operational funding	104,081	104,081	-
Other operational revenues	300	1,370	1,070
Total revenues and other sources	441,971	433,020	(8,951)
Operating expenses:			
Salaries and wages:			
Director	41,649	41,649	-
Administrative personnel	14,000	11,715	2,285
Dispatchers	203,492	199,476	4,016
Overtime pay	500	-	500
Part-time personnel	35,000	26,105	8,895
GIS Mapper/addresser	18,730	12,221	6,509
Employee benefits:			
Social security	19,727	18,052	1,675
Medicare	4,614	4,222	392
Life insurance	550	423	127
Medical insurance	18,000	15,221	2,779
Unemployment compensation	500	380	120
Retirement	21,230	15,360	5,870
Contracted services:			
Advertising	100	27	73
Auditing services	4,100	4,100	-
Accounting services	3,300	2,700	600
Data processing services	400	96	304
Fees paid to service providers	26,856	26,856	-
Legal services	2,500	2,500	-
Mapping/data base consultants	1,500	-	1,500
NCIC/TBI/TIES expenses	6,920	1,600	5,320
Lease/rental:			
Office equipment	1,500	1,262	238
Maintenance and repairs:			
Communications equipment	5,000	4,217	783
Building and facilities	500	-	500
Office equipment	500	80	420
Vehicles	1,800	129	1,671
Supplies and materials:			
Office supplies	4,500	3,138	1,362
Data processing supplies	400	-	400
Postage	200	26	174
Small equipment purchases	5,000	3,901	1,099
Uniforms and shirts	1,500	671	829
Utilities:			
Gas	2,500	1,397	1,103
General telephone	5,500	3,867	1,633
Cell phones and pagers	720	475	245

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Revenues and Expenditures - Budget and Actual (continued)

Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Other charges:			
Bank charges	\$ 30	-	30
Dues and memberships	600	374	226
Employee testing and exams	500	126	374
Insurance:			
Workers' compensation	1,800	1,408	392
Liability	6,300	5,733	567
Vehicles	619	577	42
Licenses and fees	4,704	3,911	793
Premiums on surety bonds	700	700	-
Public education	500	310	190
Service awards	100	100	-
Training	5,000	3,025	1,975
Travel	3,800	3,387	413
Depreciation	40,000	39,074	926
Total operating expenditures	517,941	460,591	57,350
Excess (deficiency) of operating revenues over operating expenditures	(75,970)	(27,571)	48,399
Nonoperating revenues (expenses):			
Interest revenue	10,000	14,541	4,541
Capital contributions	11,233	4,575	(6,658)
Revenue from contracted services	23,877	19,227	(4,650)
Total nonoperating revenues (expenses)	45,110	38,343	(6,767)
Excess (deficiency) of revenue over expenditures	\$ (30,860)	10,772	41,632
Adjustments required to reconcile excess of revenues over expenditures (budget basis) to net income (GAAP):			
Equipment purchases		3,173	
Change in net assets		\$ 13,945	

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Insurance in Force

June 30, 2008

<u>Description</u>	<u>Coverage</u>
Management Liability:	
Aggregate limit	\$ 3,000,000
Wrongful acts	1,000,000
Injunctive relief	5,000
Fidelity Bonds:	
Chairman	50,000
Vice-chairman	50,000
Secretary	50,000
Executive Director	50,000
General Liability:	
General aggregate	3,000,000
Each occurrence limit	1,000,000
Medical expense (any one person)	5,000
Commercial Property:	
Business personal property (\$1,000 deductible)	504,400
Flood (\$1,000 deductible)	
Earthquake (\$25,220 deductible, per item)	.
Special classes (\$1,000 deductible)	Replacement cost
Flood (\$1,000 deductible)	6,204
Earthquake (\$312 deductible, per item)	
Loss of income	12 months actual loss sustained
Portable equipment (\$100 deductible)	Replacement cost
Automobile Liability:	
Combined single limit for bodily injury, uninsured motorist, and property damage	1,000,000
Physical damage - lesser of actual cash value or cost of repairs	
Workers' Compensation/Employer's Liability:	
Workers' compensation	Statutory
Employer's liability	100/500/100,000

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Information Required by the
Tennessee Emergency Communications Board
June 30, 2008

1. Number of public safety answering points (PSAP): One (1)
2. Address of each PSAP: 415 Straight Creek Road, TN 37879
3. Type of system/equipment and database used: Zetron Equipment/Bell South database
4. Name, address, telephone number, and fax number of the Executive Director:

Roger Hager, Executive Director
Claiborne County Emergency Communications District, Inc.
P.O. Box 911
Tazewell, TN 37879
(423) 626-5339 (423) 626-1700 (fax)

5. Name, address, telephone number and fax number of the Chairman of the Board:

Michael Campbell
P.O. Box 911
Tazewell, TN 37879
(423) 869-3646 (423) 869-3647 (fax)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Expenditures of State Awards
Year Ended June 30, 2008

<u>Grantor</u>	<u>Contract Number</u>	<u>Balance June 30, 2007</u>	<u>Cash Receipts</u>	<u>Qualified Expenditures</u>	<u>Balance June 30, 2008</u>
Tennessee Emergency Communications Board: Emergency Dispatchers Salaries	Z-04020013-03	\$ 1,233	1,233	-	-
Tennessee Emergency Communications Board: GIS Mapping Maintenance Assistance Program	Z-08211915-00	<u>-</u>	<u>4,575</u>	<u>4,575</u>	<u>-</u>
Total state awards		<u>\$ 1,233</u>	<u>5,808</u>	<u>4,575</u>	<u>-</u>



HG&A ASSOCIATES, P.C.

Certified Public 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
Claiborne County Emergency Communications District, Inc.
Tazewell, Tennessee

We have audited the financial statements of the Claiborne County Emergency Communications District, Inc., a component unit of Claiborne County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 23, 2009. Our report disclosed that the City adopted applicable provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27* as of July 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Claiborne County Emergency Communications District, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Claiborne County Emergency Communications District, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Claiborne County Emergency Communications District, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Claiborne County Emergency Communications District, Inc.'s internal control.

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

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell

P.O. Box 50846, Knoxville, TN 37950-0846 • Telephone (865) 691-8000 • FAX (865) 691-3064 • 6504 Deane Hill Drive, Knoxville, TN 37919



The CPA. Never Underestimate The Value.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Claiborne County Emergency Communications District, Inc.'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings as item 08-1.

The City Claiborne County Emergency Communications District, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Claiborne County Emergency Communications District, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the board of directors, management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

HG+A Associates, P.C.

March 23, 2009

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Audit Findings

June 30, 2008

08-1 Collateralization of Bank Deposits

Condition and Criteria: The District's policy is to require all depositories to collateralize deposits in excess of federally insured amounts by either participation in the Tennessee Collateral Pool or by pledging securities and placing them in trust with a third party in the District's name. However, one depository failed to pledge adequate securities to safeguard deposits in excess of the federally insured balance.

Effect: As a result deposits of \$26,544 were uncollateralized at June 30, 2008. Similarly, deposits with the same depository were unsecured at various times during the year and until October, 2008 when a portion of the deposits was moved to another bank.

Cause: Although the depository provided collateral statements, management nor the bank detected that deposits exceeded the collateral.

Auditors' Recommendation: We recommend management monitor bank deposits and collateral amounts on a monthly basis to determine that collateral pledged is sufficient to safeguard deposits.

Management's Response: Management was aware of this condition and contacted the branch manager of the bank involved, who in turned contacted the bank's main branch in Middlesboro, KY to correct the problem. The bank assured the District that procedures were in place to automatically increase the amount of pledges to cover the excess funds as the account balance increased. The District sought bids on obtaining a CD and moved funds out of that bank in October 2008. The District will monitor bank accounts monthly to insure that collateral pledged is sufficient to safeguard deposits in excess of federally insured amounts.