

Claiborne County Emergency Communications District, Inc.

**Financial Statements with
Accompanying Information
Year Ended June 30, 2009**
and
Independent Auditors' Report

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

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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, 2009, 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.

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, 2009, 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 17, 2010 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.

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 17, 2010

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, 2009. 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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 543,157	527,501
Capital assets	<u>276,105</u>	<u>287,550</u>
Total assets	<u>\$ 819,262</u>	<u>815,051</u>
Current liabilities	<u>\$ 13,804</u>	<u>15,240</u>
Net assets:		
Invested in capital assets	276,105	287,550
Unrestricted	<u>529,353</u>	<u>512,261</u>
Total net assets	<u>805,458</u>	<u>799,811</u>
Total liabilities and net assets	<u>\$ 819,262</u>	<u>815,051</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues:		
Bell South emergency service charges	\$ 96,575	101,163
Century emergency service charges	154,353	162,074
Other emergency service charges	5,705	6,948
Tennessee ECB shared wireless charges	77,569	57,384
Operational funding	104,081	104,081
Other	<u>1,216</u>	<u>1,370</u>
Total operating revenues	439,499	433,020
Total operating expenses	<u>517,721</u>	<u>457,418</u>
Operating loss	(78,222)	(24,398)
Non-operating revenues	38,398	33,768
TECB - Grants and Reimbursements	<u>45,471</u>	<u>4,575</u>
Change in net assets	5,647	13,945
Net assets - beginning of the year	<u>799,811</u>	<u>785,866</u>
Net assets - end of the year	<u>\$ 805,458</u>	<u>799,811</u>

Analysis of Financial Position and Results of Operations

The District's net assets increased \$5,647 over the previous year. Operating revenues increased \$6,479 (1.50%). Operating expense increased 13.18%. TECB – Grants and Reimbursements increased significantly (\$40,896).

The District's Net Assets

The District completed the year with net assets of \$805,458, an increase of \$5,647 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 full time dispatchers salaries of \$15,000, overtime of \$500, mapping database consultants of \$1,000, training of \$3,000, travel of \$1,000, health insurance of \$3,000, data process of \$200, office equipment maintenance of \$500, data process supplies of \$400, general telephone of \$800, and public education of \$300 offset increases in administrative personnel salaries of \$100, part-time dispatchers of \$6,700, audit fees of \$600, fees paid to service providers of \$200, equipment maintenance of \$7,066, licenses and fees of \$9,300, retirement of \$3,000, and miscellaneous revenue of \$1,266.

Capital Assets

At the end of the accounting period, The District had \$276,105 in capital assets such as telecommunications and office equipment, building and improvements. This amount represents a decrease of \$11,445, or 4%.

Capital Assets		
(net of depreciation)		
	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ <u>276,105</u>	<u>287,550</u>
	<u>\$ 276,105</u>	<u>287,550</u>

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. The City of Harrogate constructed 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. We are working with Homeland Security to try to obtain grant funds for the purchase of communication equipment for the backup facility.

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 approximately \$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 be reserved for replacement and/or upgrade of current E-911 equipment.

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. This will require upgrade of the 911 controller, recorder, adding additional computer and monitor, and network security devices and switches to the current system. The State E-911 board has approved funding for the NG-911 upgrades. The District also established a budget line item in the FY 06/07 annual budget for designating net assets for equipment in the amount of \$20,000 and added another \$20,000 in the FY 07/08 budget and again in the FY 08/09 Budget. The District plans to add \$20,000 to this line item as the budget permits.

The State E-911 Board approved a training funding program for the Districts in 2010. This new funding program will include \$16,000 for training and operational costs.

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, NG-911, and the decrease of landline telephones will all have negative impacts on the District's expense and revenue. We anticipate that NG-911 will add additional manpower requirements for the District. We believe the amount of data coming into the E-911 center will require dispatchers to spend more time analyzing text messages, video, and photos as well as handling the voice calls. This will require more dispatchers. We also believe that the NG-911 will require the District to have a computer network technician on staff to keep the in-house network operational.

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

Balance Sheet
June 30, 2009

Assets

Current assets:	
Cash	\$ 101,509
Temporary investments	362,885
Accounts receivable:	
Telephone surcharges	21,181
Other governments	45,785
Accrued interest	758
Prepaid insurance	11,039
Total current assets	<u>543,157</u>
Capital assets:	
Furniture and fixtures	443,970
Vehicles	23,560
Less: accumulated depreciation	<u>(191,425)</u>
	<u>276,105</u>
Total assets	<u>\$ 819,262</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 707
Accrued wages	11,324
Other accrued expenses	1,773
Total current liabilities	<u>13,804</u>
Net assets:	
Invested in capital assets	276,105
Unrestricted net assets	529,353
Total net assets	<u>805,458</u>
Total liabilities and net assets	<u>\$ 819,262</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, 2009

Operating revenues:	
Emergency telephone service charges	\$ 256,633
Shared wireless charges	77,569
TECB - Operational funding	104,081
Other operational revenues	<u>1,216</u>
Total operating revenues	<u>439,499</u>
Operating expenses:	
Salaries and wages	325,269
Employee benefits	76,029
Contracted services	50,181
Supplies and materials	9,770
Other charges	14,879
Depreciation and amortization	<u>41,593</u>
Total operating expenses	<u>517,721</u>
Operating loss	<u>(78,222)</u>
Nonoperating revenues:	
Interest revenue	12,299
Tennessee Emergency Communications Board - Grants and reimbursements	45,471
Miscellaneous income	1,653
Insurance reimbursement	6,219
Contracted services	<u>18,227</u>
Total nonoperating revenues	<u>83,869</u>
Change in net assets	5,647
Total net assets, beginning of year	<u>799,811</u>
Total net assets, end of year	<u>\$ 805,458</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, 2009

Cash flows from operating activities:	
Cash received from surcharges and other revenues	\$ 433,706
Cash payments for goods and services	(86,463)
Cash payments for employees	<u>(400,505)</u>
Net cash used by operating activities	<u>(53,262)</u>
Cash flows from noncapital financing activities:	
Grants / Reimbursements TECB	<u>45,471</u>
Net cash provided by noncapital financing activities	<u>45,471</u>
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	<u>(30,148)</u>
Net cash used by capital and related financing activities	<u>(30,148)</u>
Cash flows from investing activities:	
Interest received	11,541
Temporary investments purchased	<u>(11,331)</u>
Net cash provided by investing activities	<u>210</u>
Net decrease in cash	(37,729)
Cash, beginning of year	<u>139,238</u>
Cash, end of year	<u><u>\$ 101,509</u></u>
Reconciliation of operating loss to net	
cash used by operating activities:	
Operating loss	\$ <u>(78,222)</u>
Adjustments to reconcile operating loss to net cash	
provided by operating activities:	
Depreciation and amortization	41,593
Miscellaneous income	1,653
Insurance reimbursement	6,219
Contracted services	18,227
Changes in operating assets and liabilities:	
(Increase) decrease in operating assets:	
Accounts receivable - telephone surcharges	1,726
Prepaid expenses	(9,404)
Due from other governments	(33,618)
Increase (decrease) in operating liabilities:	
Accounts payable	(100)
Accrued expenses	<u>(1,336)</u>
Total adjustments	<u>24,960</u>
Net cash used by operating activities	<u><u>\$ (53,262)</u></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, 2009

(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, 2009

(1) Summary of Significant Accounting Policies (continued)

(c) Receivable

The accounts receivable from telephone surcharges of \$21,181 primarily represents amounts due from Century Telephone and Bell South for the surcharge on Claiborne County telephone services for the month of June 2009.

The accounts receivable from other governments of \$45,785 represents amounts due from the State of Tennessee for wireless commissions and grants due for the months of March 2009 through June 2009.

(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, 2009

(2) Budgetary Control

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

(3) Bank Deposits

The District's deposits with financial institutions consist of the following at June 30, 2009:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash:				
Checking	N/A	.10%	\$ <u>101,509</u>	<u>123,619</u>
Temporary investments:				
18 month time deposit	November 15, 2009	1.64%	\$ 120,195	120,195
Certificate of deposit	October 2, 2009	4.07%	<u>242,690</u>	<u>242,690</u>
			\$ <u>362,885</u>	<u>362,885</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, 2009 none of the District's funds were exposed to credit risk.

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.

The District's Board has designated at total of \$60,000 of the cash balance to be used for replacement of E-911 equipment.

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

Notes to Financial Statements
June 30, 2009

(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, 2009, 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, 2009, the District was insured against potential losses associated with these risks through the purchase of commercial insurance. There were no reductions in coverage in 2009 from those in 2008. 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, 2009

(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, 2009 was 8.31% 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, 2009

(8) Pension Plan (continued)

Annual Pension Cost

For the year ending June 30, 2009, the District's annual pension cost of \$20,938 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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, 2007 was 13 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>
6/30/09	\$ 20,938	100.00%	\$ -
6/30/08	15,172	100.00%	-
6/30/07	18,488	100.00%	-

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 89.95 percent funded. The actuarial accrued liability for benefits 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 \$0.00 million, and the ratio of the UAAL to the covered payroll was 10.73 percent.

(continued)

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

Notes to Financial Statements
June 30, 2009

(8) Pension Plan (continued)

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.

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	\$ 172	\$ 19	88.95%	\$ 177	10.73%

(9) Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Cost			Accumulated Depreciation				
	Balance	Retirements		Balance	Balance	Retirements		Balance
	June 30, 2008	Additions	and Transfers	June 30, 2009	June 30, 2008	Depreciation	and Transfers	June 30, 2009
Furniture and fixtures	\$ 439,562	6,588	2,180	443,970	152,012	39,630	2,180	189,462
Vehicle	23,100	23,560	23,100	23,560	23,100	1,963	23,100	1,963
	<u>\$ 462,662</u>	<u>30,148</u>	<u>25,280</u>	<u>467,530</u>	<u>175,112</u>	<u>41,593</u>	<u>25,280</u>	<u>191,425</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Required Supplementary Information
June 30, 2009

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	\$ 172	\$ 19	88.95%	\$ 177	10.73%

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 of the most recent actuarial valuation date. 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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 272,000	256,633	(15,367)
Shared wireless charges	67,000	77,569	10,569
Operational funding	104,081	104,081	-
Other operational revenues	300	1,216	916
Total revenues and other sources	<u>443,381</u>	<u>439,499</u>	<u>(3,882)</u>
Operating expenses:			
Salaries and wages:			
Director	41,649	41,649	-
Administrative personnel	18,820	18,772	48
Dispatchers	206,651	198,666	7,985
Part-time personnel	41,700	41,137	563
GIS Mapper/addresser	25,730	25,045	685
Employee benefits:			
Social security	21,282	20,167	1,115
Medicare	4,977	4,716	261
Life insurance	612	558	54
Medical insurance	29,600	29,120	480
Unemployment compensation	500	415	85
Retirement	24,921	21,053	3,868
Contracted services:			
Advertising	100	18	82
Auditing services	4,900	4,900	-
Accounting services	2,900	2,880	20
Fees paid to service providers	25,496	25,443	53
Legal services	2,500	2,500	-
NCIC/TBI/TIES expenses	1,600	1,600	-
Lease/Rental - Office equipment	1,500	1,380	120
Lease/Rental - Vehicles	23,570	23,570	-
Maintenance and Repairs:			
Communications equipment	17,066	9,661	7,405
Building and facilities	500	-	500
Vehicles	1,000	646	354
Fuel - Vehicles	2,000	1,153	847
Supplies and materials:			
Office supplies	3,500	1,751	1,749
Postage	200	70	130
Small equipment purchases	10,000	8,577	1,423
Uniforms and shirts	1,500	1,355	145
Utilities:			
Gas	500	150	350
General telephone	4,200	3,929	271
Cell phones and pagers	650	516	134

(continued)

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

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

Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Other charges:			
Bank charges	\$ 30	-	30
Dues and memberships	500	394	106
Employee testing and exams	400	-	400
Insurance:			
Workers' compensation	2,000	1,468	532
Liability	5,839	5,839	-
Vehicles	800	601	199
Licenses and fees	14,080	3,844	10,236
Premiums on surety bonds	700	700	-
Public education	200	164	36
Service awards	100	-	100
Training	1,000	30	970
Travel	2,800	1,839	961
Depreciation and amortization	40,000	41,593	(1,593)
Total operating expenditures	588,573	547,869	40,704
Excess of operating expenditures over operating revenues	(145,192)	(108,370)	36,822
Nonoperating revenues (expenses):			
Interest revenue	10,000	12,299	2,299
Tennessee Emergency Communications Board - Grants and Reimburseme	33,570	45,471	11,901
Miscellaneous income	1,266	1,653	387
Insurance reimbursement	6,219	6,219	-
Revenue from contracted services	23,877	18,227	(5,650)
Total nonoperating revenues (expenses)	74,932	83,869	8,937
Excess of expenditures over revenue	\$ (70,260)	(24,501)	45,759
Adjustments required to reconcile excess of expenditures over revenues (budget basis) to net income (GAAP):			
Equipment purchases		30,148	
Change in net assets		\$ 5,647	

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

Schedule of Insurance in Force

June 30, 2009

<u>Description</u>	<u>Coverage</u>
Management Liability:	
Aggregate limit	\$ 3,000,000
Wrongful acts	1,000,000
Injunctive relief	25,000
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)	524,576
Flood (\$1,000 deductible)	
Earthquake (\$26,229 deductible, per item)	
Special classes (\$1,000 deductible)	Replacement cost
Flood (\$1,000 deductible)	6,490
Earthquake (\$324 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, 2009

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, 2009

<u>Grantor</u>	<u>Contract Number</u>	<u>Balance June 30, 2008</u>	<u>Cash Receipts</u>	<u>Qualified Expenditures</u>	<u>Balance June 30, 2009</u>
Tennessee Emergency Communications Board: GIS Mapping Maintenance Assistance Program	Z-08211915-00	\$ -	10,000	10,000	-
Total state awards		<u>\$ -</u>	<u>10,000</u>	<u>10,000</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, 2009, and have issued our report thereon dated March 17, 2010. 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.

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 and other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings as item 09-1.

The 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 17, 2010

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

Schedule of Audit Findings
June 30, 2009

09-1 Legally Adopted Budgets

Finding - The state statutes require the District to adopt an annual budget that serves as legal authorization for incurring expenses. Although total expenditures were \$40,704 less than the adopted budget, the District's depreciation and amortization expense line item exceeded the legally adopted budget by \$1,593.

Auditors' Recommendation: We recommend that expenses and appropriations be monitored on an ongoing basis to ensure that they will not exceed the budget. If the budget is insufficient the Board of Directors should determine if amendments to the budget are appropriate.

Management's Response: The district will monitor the depreciation and amortization expense line item in the future to ensure that it will not exceed the line item budget. It should be noted that the depreciation and amortization expense line item, which is a non-cash line item, expense exceeded the adopted budget amount by \$1,593; however, the entire budget was \$40,704 under spent.