

**Clarksville Montgomery County E-911
(A Component Unit)
Financial Statements
June 30, 2009**

**Clarksville Montgomery County E-911
(A Component Unit)
Table of Contents**

Introductory Section

Board of Directors..... 1

Financial Section

Independent Auditors' Report.....2
Statement of Net Assets4
Statement of Revenues, Expenses and Changes in Net Assets5
Statement of Cash Flows – Direct Method6
Notes to Financial Statements.....8

Supplementary Information

Budgetary Comparison Schedule20
Schedule of Information required by the Tennessee Emergency Communications
Board22
Exhibit 1 – Schedule of Salaries and Wages23
Exhibit 2 – Schedule of Employee Benefits24
Exhibit 3 – Schedule of Contracted Services.....25
Exhibit 4 – Schedule of Supplies and Materials.....26
Exhibit 5 – Schedule of Other Charges27

Internal Control and Compliance Section

Auditors' Report on Compliance and Internal Control.....28
Schedule of Findings and Responses30

**Clarksville Montgomery County E-911
(A Component Unit)
Board of Directors**

County Members

Dalton Harrison
Ed Patterson
Billy Smith

Office

Director
Director
Director

Term Expires

November 2011
November 2012
November 2009

City Members

Suzanne Uffelman
Kevin Judish
Geno Grubbs

Director
Secretary
Director

November 2011
November 2012
November 2009

Other Members

Norman Lewis
Tony Norfleet
John Stanley

Sheriff-Chairman
911 User Board-Chairman
Fire Chief

Coterminous
Coterminous
Coterminous

Principal Employees

Loretta Bryant

Supervisor

Gillette, Henderson & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

*John R. Gillette, CPA
Don R. Henderson, CPA
Lisa E. McIntosh, CPA*

*4811 Lebanon Road, Suite 208
Hermitage, TN 37076
(615) 889-1153
Fax (615) 883-2929*

To the Board of Directors
Clarksville Montgomery County E-911
Clarksville, TN 37040

Independent Auditors' Report

We have audited the accompanying basic financial statements of Clarksville Montgomery County E-911, a component unit of Montgomery County, TN, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the entity'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clarksville Montgomery County E-911 as of June 30, 2009, and the changes in 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 a report dated February 9, 2010, on our consideration of Clarksville Montgomery County E-911's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and important for assessing the results of our audit.

The Clarksville Montgomery County E-911 has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplementary information on pages 20-21 is presented for purposes of additional analysis as required by the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts and is not a required part of the basic financial statements. The schedules of detailed expenses on pages 23-27 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of information required by the Tennessee Emergency Communications Board on page 22 which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC
Hermitage, Tennessee
February 9, 2010

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Net Assets
June 30, 2009**

ASSETS

Current Assets	
Cash	\$ 940,730
Accounts Receivable	117,020
Due from Tennessee Emergency Communications Board	166,639
Total Current Assets	<u>1,224,389</u>
Capital Assets	
Building and Improvements	5,289,150
Furniture and Fixtures	72,525
Communications Equipment	1,029,794
Other Capital Assets	52,120
Total Capital Assets	<u>6,443,589</u>
Accumulated Depreciation	<u>(920,049)</u>
Net Capital Assets	<u>5,523,540</u>
 Total Assets	 <u>\$ 6,747,929</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 9,731
Accrued Payroll	28,606
Payroll Deductions Payable	16,082
Compensated Absences Payable	53,668
Capitalized Lease Obligations - Current	367,364
Total Current Liabilities	<u>475,451</u>
Noncurrent Liabilities	
Capitalized Lease Obligations - Long-Term	<u>4,150,039</u>
Total Noncurrent Liabilities	<u>4,150,039</u>
 Total Liabilities	 <u>4,625,490</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,006,136
Unrestricted Net Assets	1,116,303
Total Net Assets	<u>2,122,439</u>
 Total Liabilities and Net Assets	 <u>\$ 6,747,929</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009**

Operating Revenue	
Emergency Telephone Service Charge	\$ 1,188,852
Tennessee Emergency Communications Board - Shared Wireless Charge	293,754
Tennessee Emergency Communications Board - Operational Funding	234,923
Total Operating Revenues	<u>1,717,529</u>
Operating Expenses	
Salaries and Wages (see Exhibit 1)	1,056,123
Employee Benefits (see Exhibit 2)	399,690
Contracted Services (see Exhibit 3)	203,197
Supplies and Materials (see Exhibit 4)	79,425
Other Charges (see Exhibit 5)	53,726
Depreciation	170,966
Total Operating Expenses	<u>1,963,127</u>
Operating Income (Loss)	<u>(245,598)</u>
Nonoperating Revenues and (Expenses)	
Interest Income	3,228
Contributions from Primary Government	399,439
Tennessee Emergency Communications Board - Grants and Reimbursements	106,509
Miscellaneous Income	912
Interest Expense	(177,713)
Loss on Disposal of Property	(19,845)
Rental Income	159,152
Total Nonoperating Revenues and (Expenses)	<u>471,682</u>
Increase (Decrease) in Net Assets	<u>226,084</u>
Net Assets, Beginning of Year	1,337,697
Prior Period Adjustment	558,658
Net Assets, Beginning of Year as Restated	<u>1,896,355</u>
Net Assets, End of Year	<u><u>\$ 2,122,439</u></u>

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Cash Flows
For the Year Ended June 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Surcharges and Other Revenues	\$ 1,685,703
Cash Payments for Payroll, Taxes and Benefits	(1,421,247)
Cash Payments to Suppliers for Goods and Services	<u>(664,320)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(399,864)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Primary Government	399,439
Grants/Reimbursements TECB	50,000
Other Nonoperating Revenue	912
Rental Income	<u>159,152</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>609,503</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(52,120)
Interest Paid on Long-Term Debt	(177,713)
Principal Paid on Notes Payable	(12,838)
Repayment of Capital Lease Obligation	<u>(215,000)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(457,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>3,228</u>
Net Cash Provided by (Used In) Investing Activities	<u>3,228</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(244,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,185,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 940,730</u></u>

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Cash Flows-Continued
For the Year Ended June 30, 2009**

**RECONCILIATION OF NET OPERATING INCOME (LOSS) TO
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (245,598)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	170,966
(Increase) decrease in accounts receivable	24,113
(Increase) decrease in due from TECB	(55,939)
Increase (decrease) in accounts payable	(327,972)
Increase (decrease) in payroll deductions	2,106
Increase (decrease) in compensated absences	24,831
Increase (decrease) in accrued payroll	7,629
Total Adjustments	(154,266)
Net Cash Provided by (Used in) Operating Activities	\$ (399,864)

NONCASH INVESTING AND FINANCING ACTIVITIES

Assets acquired by assumption of debt	770,240
Debt assumed to acquire assets	770,240

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies

Organization

The Clarksville Montgomery County E-911(the District) was created as a "Municipality" or public corporation under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, and approved by the voters of Montgomery County, Tennessee on November 4, 1986. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors. The Board consists of nine (9) members comprised of the County Sheriff, the Clarksville Chief of Police, the chairman of the E-911 user group, three (3) members (one of whom shall be a County Commissioner) nominated by the County Executive and approved by the Montgomery County Board of Commissioners, and three (3) members (one of whom shall be a member of the City Council) nominated by the Mayor and approved by the City Council. The District is considered a political sub-division of the County, and is exempt from Federal and State income tax.

Reporting Entity

The District, a component unit of Montgomery County, provides emergency communications and dispatch services for all fire, law enforcement and other emergency departments within the County. The District is a component unit of Montgomery County because it is fiscally dependent on the county. The District cannot issue bonded debt without approval of the County and it cannot adjust the rate of service charges without the County Commission's approval. The governing board of the District is appointed equally by the City and County and a substantial portion of operating revenues are provided by allocations from Montgomery County. The District's financial statements include only the assets and operations of the District, and do not include any other fund, organization, agency or department of the City or County.

Measurement Focus/ Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

District operations are accounted for on a cost of service measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Operating Revenues and Expenses

The accounts of the District are organized as a proprietary governmental fund. A proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing services to the general public covered by the District are financed through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies-continued
Operating Revenues and Expenses-continued

The major sources of operating revenue are customer service charges, shared wireless charges and operating subsidies.

(1) Customer Service Charges

A monthly subscriber fee is added to each telephone line in Montgomery County. The charge is billed and collected by the telephone company and is remitted to the District after a deduction of a 1% administrative fee.

(2) Shared Wireless Charges

A monthly wireless E-911 fee is collected by the State of Tennessee from wireless customers and is remitted to the District.

(3) Operating Subsidies

The District receives an operating subsidy from the Tennessee Emergency Communications Board.

Operating expenses for enterprise funds include expenses incurred relating to the operation and maintenance of its system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds have the option of consistently following or not following FASB pronouncements issued subsequent to November 30, 1989. The District, considering the requirements of the Office of the Comptroller of the Treasury, will only follow GASB guidance issued after November 1989, and not follow any FASB guidance subsequent to November 1989.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents, as shown in the Statement of Cash Flows, includes all cash in bank accounts and on hand that is allocated for use by the District. For the purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash flow statement is prepared in accordance with GASB statement No. 9 as the organization is considered a component of the County. As of June 30, 2009 there were no cash equivalents.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies-continued

Accounts Receivable/Due from Tennessee Emergency Communications Board

The District has receivables due from communication service providers and the State ECB for service charges, grant reimbursements and tariffs. Based on the nature of the revenues there will always be at least one month's receivable at the end of the year.

There has been no allowance for doubtful accounts recorded because the probability of non-payment is low. Accounts receivable are recorded when incurred.

Accounts Receivable is concentrated with two vendors. Both vendors are pass-thru entities that collect and forward wireless and land line collections from customers in Robertson County.

Fixed Assets and Depreciation

Fixed assets are recorded at cost. Capital expenditures of \$5,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. General equipment costing less than \$5,000 is an expense of the period when placed in service. Computer software is not considered capital equipment. Depreciation and accumulated depreciation are recorded on capitalized equipment. Assets are depreciated using the straight-line basis, and a 5-15 year expected useful life as required by the Accounting and Financial Reporting Manual. The District capitalizes all significant purchases with a useful life greater than one year.

Budgets and Budgetary Accounting

The District board of directors formally approves the budget. The budget is adopted on a basis consistent with generally accepted accounting principles except that depreciation is not budgeted and the budgeted cost of fixed assets purchased is included as an expenditure. The District is required by Section 7-86-120, Tennessee Code Annotated, to adopt and operate under an annual budget. In addition, the Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts established the legal level of control, which is defined to be at the line item.

Budgeted amounts lapse at the end of the fiscal year and no unexpended balances are carried to the subsequent year.

A statement of comparison for the budgeted and actual revenues and expenditures is included in the Supplementary Information Section of this report.

The budget was amended during the year by vote of the Board of Directors

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies-continued

Leave Policies

Annual leave is accrued on a monthly basis from the effective date of an employee's appointment. Annual leave may be accrued up to a maximum 160 hours for less than 5 years of employment, 192 hours for 5-10 years of employment, and 200 hours for more than 10 years employment. At the end of each month, accrued hours for each employee in excess of the maximum are transferred to sick leave. On termination of employment, the District pays an accrued vacation leave in a lump cash payment to such employee. All accrued compensated absences are shown on the balance sheet as short-term liabilities since a reasonable estimation of the long-term portion cannot be made.

Sick leave is accumulated on a monthly basis from the effective date of an employee's appointment. Employees may accrue an unlimited number of hours. On termination of employment of any employee, for any reason except retirement, all sick leave is forfeited. On retirement of an employee, accrued sick leave is credited toward extending the computation of longevity. Accrued sick leave is not included as a liability in the balance sheet.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

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 employee, natural disasters. The District has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years. Insurance for the District is included in the policies written for Montgomery County and the City of Clarksville.

Use of Estimates

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

Cash Funds

Cash funds of the District are combined with other County funds and managed by the County Trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of \$3,228 was allocated to the District during the current year.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 2 - Cash Deposits

Cash deposits are carried at cost which approximates fair value. The carrying amount of deposits is separately displayed on the balance sheet as \$940,730.

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. At June 30, 2009, the deposits of the District were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of Montgomery County Trustee that exceed FDIC insurance limits are further insured by securities set aside as collateral and pledged to the State Treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

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 - via Montgomery County - follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301.

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

		Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Cash:					
Held in	Pooled	n/a	variable	\$940,730	\$945,800
Checking				\$940,730	\$945,800

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 3 – Property and Equipment

Property and Equipment consisted of the following at June 30, 2009:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Buildings and Improvements	\$ 5,289,150	\$ -	\$ -	\$ 5,289,150
A/D - Buildings and Improvements	(528,915)	(132,230)	-	(661,145)
Furniture and Fixtures	72,525	-	-	72,525
A/D - Furniture and Fixtures	(36,979)	(4,574)	-	(41,553)
Office Equipment	198,455	-	198,455	-
A/D - Office Equipment	(178,609)	-	(178,609)	-
Communications Equipment	259,553	770,241	-	1,029,794
A/D - Communications Equipment	(183,190)	(29,136)	-	(212,326)
Other Fixed Assets	-	52,120	-	52,120
A/D - Other Fixed Assets	-	(5,026)	-	(5,026)
Net Property and Equipment	<u>\$ 4,891,990</u>	<u>\$ 651,395</u>	<u>\$ 19,846</u>	<u>\$ 5,523,539</u>

Note 4 – Accounts Receivable

Accounts receivable consists primarily of amounts due for monthly service charges collected for the District:

AT&T	\$66,050
Other Service Providers	50,970
Due From TECB	166,639
Total	<u>\$283,659</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 5 – Operating Lease

The District entered into a lease effective July 1, 2005 with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. A new three year agreement was entered into for the period from July 1, 2008 to June 30, 2011. The future minimum lease payment for the each of the three remaining years is \$78,397. In addition, the lessee has agreed to pay a portion of the utility costs, maintenance salaries, custodial supplies, and trash collection on an annual basis. Said reimbursement shall be made annually and shall be in an amount based on the prior year's costs. For the year ended June 30, 2009, the amount paid was \$35,941.

Note 6 – Retirement Plan

PLAN DESCRIPTION

Employees of Montgomery County 911 Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 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 Montgomery County 911 Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 6. – Retirement Plan-continued

FUNDING POLICY

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

Montgomery County 911 Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 11.26% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Montgomery County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2009, Montgomery County 911 Emergency Communications District's annual pension cost of \$116,531 to TCRS was equal to Montgomery County 911 Emergency Communications 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. Montgomery County 911 Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 14 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$116,531	100.00%	\$0.00
June 30, 2008	\$114,135	100.00%	\$0.00
June 30, 2007	\$111,596	100.00%	\$0.00

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 6 – Retirement Plan-continued
FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.79 percent funded. The actuarial accrued liability for benefits was \$1.75 million, and the actuarial value of assets was \$1.52 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.23 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 24.5 percent.

The schedules of funding progress 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.

Schedule of Funding Progress for Montgomery County 911 ECD

(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Plan Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age (b)</i>	<i>Unfunded AAL (UAAL) (b) – (a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</i>
July 1, 2007	\$1,524	\$1,756	\$232	86.79%	\$947	24.5%

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 change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

Note 7 – Long-Term Debt

In 2001, an interlocal agreement was signed by the City of Clarksville and the District whereby the City of Clarksville agreed to furnish the land and issue revenue bonds for the construction of the new emergency dispatch center, and the District became responsible for the debt service to retire the revenue bonds. When the debt service is retired, the City will transfer title to the land and building to the District in fee simple free of all liens and encumbrances. This agreement constitutes a lease purchase; and

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 7 – Long-Term Debt-continued

therefore, a liability of \$5,100,000, net of prior year payments of \$1,125,000, was recorded on the books of the District at June 30, 2009. (See Note 9) The interlocal agreements calls for the payments of the debt service to be due annually on June 1 and December 1 until 2018, with term bonds due June 1, 2020 and June 1, 2022.

In January 2009, the District signed a lease-purchase agreement in the amount of \$770,240 for the installation of NG911 PSAP equipment. Payments are due monthly beginning June 2009 in the amount of \$15,045 with interest accrued at 5.5%, ending in June 2014, secured by equipment.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2010	\$ 367,364	\$ 205,620
6/30/2011	380,394	189,039
6/30/2012	398,878	171,356
6/30/2013	417,840	152,794
6/30/2014	397,927	133,154
6/30/15-6/30/20	1,825,000	536,605
6/30/21-6/30/22	730,000	71,176
Total	\$ 4,517,403	\$ 1,459,744

Long-Term debt for the year ended 06/30/2009 is as follows:

	<u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/09</u>	<u>Due Within One Year</u>
Revenue Bonds	\$3,975,000	\$ 0	(\$215,000)	\$3,760,000	\$225,000
Lease Payable	0	770,241	(\$12,838)	757,403	142,364
Total	<u>\$3,975,000</u>	<u>\$770,241</u>	<u>(\$227,838)</u>	<u>\$4,517,403</u>	<u>\$367,364</u>

The total interest incurred on these liabilities for the year ending 06/30/2009 was \$177,713.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 8-Subsequent Event

In January 2009, the District signed a lease purchase agreement in the amount of \$770,240.55 for the installation of NG911 PSAP equipment. This purchase included additional radio equipment designed to facilitate the communications between the existing equipment currently owned by the City of Clarksville. In response, the City and the District have entered into an interlocal agreement whereby the City will begin 36 monthly payments to the District in the amount of \$4,723.04 in July 2009 to offset the costs of this upgrade.

Note 9 – Prior Period Adjustment

In 2002, an interlocal agreement was signed by the City of Clarksville and the District whereby the City of Clarksville furnished the land and issued revenue bonds for the construction of a new emergency dispatch center. During the current year it was determined that this agreement constitutes a lease purchase of the building for \$5,289,150 that should be reported, along with the applicable accumulated depreciation of \$528,915, as an asset on the financial statements of the District. Additionally, the revenue bonds which are conduit debt of the City should appropriately be reported as a liability in the amount of \$3,975,000 of the District.

In prior years, the payments by the District to the City for the bond payments were reported as occupancy expense each year when paid. The total of these payments was \$1,125,000. Prior to occupancy, the District paid a bond and interest payment for the year ended June 30, 2003. This payment of \$346,787 was reported as Prepaid Rent to be amortized over the 20 year term. At June 30, 2008 the amount remaining was \$260,092.

Also during the current year, it was determined that payroll expense was overstated due to payroll that was not accrued for the prior year in the amount of \$20,977.

Finally, the District received an unexpected settlement from a vendor as compensation for revenues related to prior years in the amount of \$54,491.

To correct these errors, the beginning net assets of \$1,337,698 has been increased to \$1,896,355 as follows:

Beginning Net Assets	\$ 1,337,698
Increase due to unexpected settlement income in current year	54,491
Decrease due to overstated payroll in current year	(20,977)
Increase due to addition of building to assets in current year	5,289,150
Decrease due to addition of related building A/D for prior years	(528,915)
Decrease due to net long term bonds added to liabilities in current year	(5,100,000)
Increase due to bond payments posted to expense in prior year	1,125,000
Decrease due to net prepaid rent removed from current assets	(260,092)
Beginning Net Assets - restated	<u>\$ 1,896,355</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note -10 Economic Dependency

As of and for the year ended June 30, 2009, the District has the following balances and transactions with respect to major customers:

	<u>Revenues</u>	<u>A/R</u>
TECB	\$ 635,186	\$ 166,639
AT&T	\$ 835,939	\$ 66,050

End of Notes

SUPPLEMENTARY INFORMATION
AND
SCHEDULES

**Clarksville Montgomery County E-911
(A Component Unit)
Budgetary Comparison Schedule
For the Year Ended June 30, 2009**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Revenues				
Emergency Telephone Service Charge	\$ 1,200,000	\$ 1,200,000	1,188,852	\$ (11,148)
TECB - Shared Wireless Charge	300,000	300,000	293,754	(6,246)
TECB - Operational Funding	234,000	234,000	234,923	923
Total Operating Revenues	1,734,000	1,734,000	1,717,529	(16,471)
Operating Expenses				
Salaries and Wages				
Director	67,912	67,912	68,259	347
Dispatchers	861,012	861,012	906,852	45,840
Maintenance Personnel	58,782	58,782	54,907	(3,875)
Overtime Pay	25,000	18,000	15,263	(2,737)
Part-time Personnel	5,000	12,000	10,842	(1,158)
Total Salaries and Wages	1,017,706	1,017,706	1,056,123	38,417
Employee Benefits				
Social Security	70,321	70,321	62,276	(8,045)
Medicare	16,446	16,446	14,565	(1,881)
Life Insurance	1,152	1,152	1,181	29
Medical Insurance	175,000	175,000	168,542	(6,458)
Unemployment Compensation	7,500	7,500	-	(7,500)
Retirement Contributions	131,682	131,682	116,531	(15,151)
Longevity Pay	36,452	36,452	36,595	143
Other Fringe Benefits	672	672	-	(672)
Total Employee Benefits	439,225	439,225	399,690	(39,535)
Contracted Services				
Audit Services	9,500	9,500	8,400	(1,100)
Contracts with Private Agencies	1,800	1,600	606	(994)
Legal Services	7,500	6,500	-	(6,500)
NCIC/TBI/TIES Expenses	10	10	-	(10)
Lease/Rental - Communications Equipment	-	95,000	88,449	(6,551)
Lease/Rental - Buildings and Facilities	-	390,506	-	(390,506)
Lease/Rental - Office Equipment	5,000	5,200	4,351	(849)
Maintenance and Repairs - Communication Equipment	85,000	93,000	86,137	(6,863)
Maintenance and Repairs - Buildings and Facilities	15,000	10,800	10,269	(531)
Maintenance and Repairs - Office Equipment	5,000	3,700	385	(3,315)
Fuel - Vehicles	2,500	-	-	-
Other Contracted Services	2,000	4,770	4,600	(170)
Total Contracted Services	133,310	620,586	203,197	(417,389)
Supplies and Materials				
Office Supplies	2,500	3,900	3,497	(403)
Custodial Supplies	8,000	8,000	6,024	(1,976)
Data Processing Supplies	600	600	-	(600)
Postage	100	100	84	(16)
Small Equipment Purchases	55,000	55,000	4,464	(50,536)
Utilities - Electric	50,000	50,000	49,813	(187)
Utilities - Water and Sewer	11,300	7,092	1,817	(5,275)
Utilities - General Telephone	108,000	13,000	10,858	(2,142)
Periodicals	50	50	-	(50)
Other Supplies and Materials	5,000	5,200	2,868	(2,332)
Total Supplies and Materials	\$ 240,550	\$ 142,942	\$ 79,425	\$ (63,517)

Clarksville Montgomery County E-911
(A Component Unit)
Budgetary Comparison Schedule-continued
For the Year Ended June 30, 2009

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Expenses (continued)				
Other Charges				
Dues and Memberships	\$ 720	\$ 820	\$ 819	\$ (1)
Insurance - Workers Compensation	12,000	12,000	-	(12,000)
Insurance - Liability	20,000	20,000	18,788	(1,212)
Insurance - Buildings and Contents	11,000	11,000	6,806	(4,194)
Licenses and Fees	200	200	50	(150)
Premiums on Surety Bonds	650	150	-	(150)
Training Expenses	4,000	7,100	6,255	(845)
Travel Expenses	1,000	1,900	1,544	(356)
Trustee Commission	18,000	18,000	17,297	(703)
Tuition	100	-	-	-
Principle on Bond	215,000	-	-	-
Other Charges	8,000	3,130	2,167	(963)
Total Contracted Services	<u>290,670</u>	<u>74,300</u>	<u>53,726</u>	<u>(20,574)</u>
Depreciation Expense	55,129	55,129	170,966	115,837
Total Operating Expenses	<u>2,176,590</u>	<u>2,349,888</u>	<u>1,963,127</u>	<u>(386,761)</u>
Operating Income (Loss)	(442,590)	(615,888)	(245,598)	370,290
Nonoperating Revenues and (Expenses)				
Interest Income	13,000	13,000	3,228	(9,772)
Contributions from Primary Government	399,439	399,439	399,439	-
Tennessee Emergency Communications				
Board - Grants and Reimbursements	10,000	10,000	106,509	96,509
Miscellaneous Income	-	-	912	912
Interest Expense	(175,506)	(2,208)	(177,713)	(175,505)
Loss on Disposal of Property	-	-	(19,845)	(19,845)
Rental Income	155,736	155,736	159,152	3,416
Total Non-Operating Revenues and (Expense)	<u>402,669</u>	<u>575,967</u>	<u>471,682</u>	<u>(104,285)</u>
Increase (Decrease) in Net Assets	(39,921)	(39,921)	226,084	<u>266,005</u>
Net Assets, Beginning of Year	1,337,697	1,337,697	1,337,697	
Prior Period Adjustment			558,658	
Net Assets, End of Year	<u>\$ 1,297,776</u>	<u>\$ 1,297,776</u>	<u>\$ 2,122,439</u>	

**Clarksville Montgomery County E-911
(A Component Unit)
Schedule of Information Required by the
Tennessee Emergency Communications Board
June 30, 2009**

Schedule of Number and Classification of Customers

Residential Customers 31,058

Business Customers 8,862

Schedule of Monthly Rates in Effect

Residential Customers (effecting 12/01/01) \$1.50

Business Customers (effective 12/01/01) \$3.00

Public Safety Answering Point

E911 Emergency Communications District
130 South First Street, Clarksville, TN 37040

System and Database Used: Zetron

Management Officials

Director:

Loretta Bryant
130 South First Street Telephone 931-542-0212
Clarksville, TN 37040 Fax 931-552-9259

Board Chariman:

Sheriff Norman Lewis
120 Commerce Street Telephone 931-648-0611
Clarksville, TN 37040 Fax 931-553-5114

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 1 - Schedule of Salaries and Wages
For the Year Ended June 30, 2009**

Director	\$ 68,259
Dispatchers	906,852
Maintenance Personnel	54,907
Overtime Pay	15,263
Part-time Personnel	<u>10,842</u>
Total Salaries and Wages	<u>\$ 1,056,123</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 2 - Schedule of Employee Benefits
For the Year Ended June 30, 2009**

Social Security	\$ 62,276
Medicare	14,565
Life Insurance	1,181
Medical Insurance	168,542
Retirement Contributions	116,531
Longevity Pay	<u>36,595</u>
Total Employee Benefits	<u>\$ 399,690</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 3 - Schedule of Contracted Services
For the Year Ended June 30, 2009**

Audit Services	\$ 8,400
Contracts with Private Agencies	606
Lease/Rental - Communications Equipment	88,449
Lease/Rental - Office Equipment	4,351
Maintenance and Repairs - Communications Equipment	86,137
Maintenance and Repairs - Buildings and Facilities	10,269
Maintenance and Repairs - Office Equipment	385
Other Contracted Maintenance Services	<u>4,600</u>
Total Contracted Services	<u>\$ 203,197</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 4 - Schedule of Supplies and Materials
For the Year Ended June 30, 2009**

Office Supplies	\$ 3,497
Custodial Supplies	6,024
Postage	84
Small Equipment Purchases	4,464
Utilities - Electric	49,813
Utilities - Water and Sewer	1,817
Utilities - General Telephone	10,858
Other Supplies and Materials	<u>2,868</u>
Total Supplies and Materials	<u>\$ 79,425</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 5 - Schedule of Other Charges
For the Year Ended June 30, 2009**

Dues and Memberships	\$	819
Insurance - Liability		18,788
Insurance - Buildings and Contents		6,806
Licenses and Fees		50
Training Expenses		6,255
Travel Expenses		1,544
Other Charges - Trustee Commission		17,297
Other Charges		<u>2,167</u>
Total Contracted Services	\$	<u>53,726</u>

Gillette, Henderson & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

*John R. Gillette, CPA
Don R. Henderson, CPA
Lisa E. McIntosh, CPA*

*4811 Lebanon Road, Suite 208
Hermitage, TN 37076
(615) 889-1153
Fax (615) 883-2929*

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

February 9, 2010

To the Board of Directors
Clarksville Montgomery County E-911
Clarksville, TN 37040

We have audited the basic financial statements of Clarksville Montgomery County E-911 ("The District" - a component unit of Montgomery County) as of and for the year ended June 30, 2009 and have issued our report thereon dated February 9, 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 District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarksville Montgomery County E-911's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: Findings 2009-1 and 2009-2.

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 District'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. However, of the significant deficiencies described above, we do not consider any to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and responses as: Findings 2009-1 and 2009-2

Clarksville Montgomery County E-911's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of Clarksville Montgomery County E-911, the Tennessee Emergency Communications Board, Tennessee State Comptroller's Office and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC
Hermitage, Tennessee

**Clarksville Montgomery County E-911
(A Component Unit)
Schedule of Findings and Responses
June 30, 2009**

Finding 2009-1 Excess Expenditures over Budget (repeat finding)

Condition: Some categories of expense exceeded the amount budgeted.

Criteria: TCA 7-86-120 states that no emergency communications district may spend money except in accordance with an adopted budget.

Effect: The District was not in compliance with TCA 7-86-120.

Recommendation: We recommend that the District implement control procedures to insure that budget amendments are recorded to prevent violation of this statute.

Response: We concur. The District will review the budget more thoroughly throughout the year to ensure that the expenses of the District are in compliance with the adopted budget.

Finding 2009-2 – Internal Control over Compliance with the Accounting Manual

Condition: In the course of performing our audit, we noted certain areas in which management was not familiar with the stipulations of the Accounting and Financial Reporting Manual for Tennessee Emergency Communications District. These areas were discussed with management.

Criteria: It is mandatory that management be aware of all requirements of the Accounting Manual.

Effect: The effect was minor violations in various areas. For example, the director was not covered under the security bond. In addition, furniture and fixtures were depreciated over fifteen years instead of ten as required by the manual. None of these have a material effect on the financial statements.

Recommendation: We recommend management designate an employee to be responsible for being completely familiar with the Accounting Manual to prevent even minor violations.

Response: We concur. Copies of the Accounting and Financial Reporting Manual for Tennessee Emergency Communications District have been distributed to the appropriate staff. The minor areas of non compliance have been addressed to ensure compliance with the Manual.