Clarksville Montgomery County E-911
(A Component Unit)
Financial Statements
June 30, 2010

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

County Members	Office	Term Expires
Dalton Harrison	Director	November 2011
Ed Patterson	Director	November 2012
Billy Smith	Director	November 2009
City Members		
Suzanne Uffelman	Director	November 2011
Kevin Judish	Secretary	November 2012
Geno Grubbs	Director	November 2009
Other Members		
Norman Lewis	Sheriff-Chairman	Coterminous
Tony Norfleet	911 User Board-Chairman	Coterminous
John Stanley	Fire Chief	Coterminous
Principal Employees		
Loretta Bryant	Supervisor	

As management of the Clarksville Montgomery County E-911 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

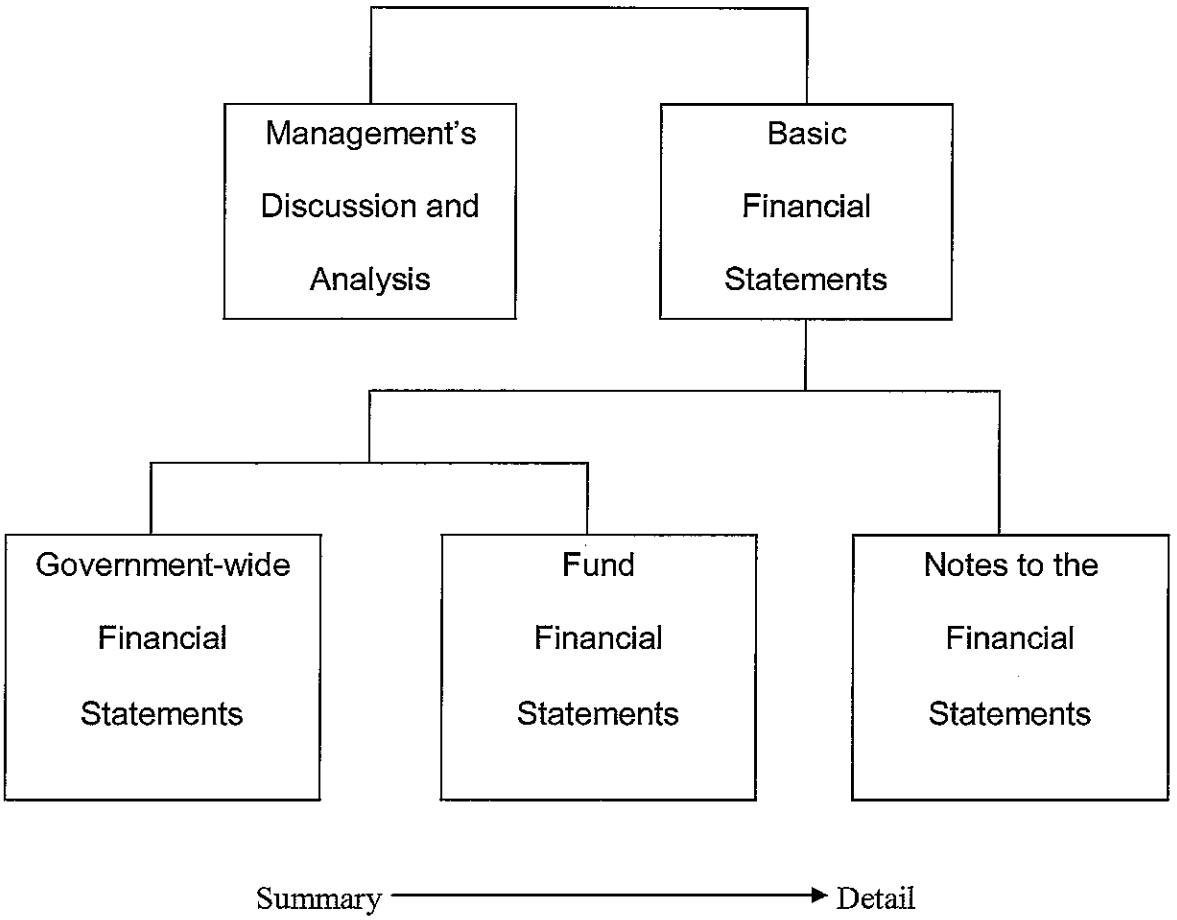
- The assets of the District exceeded its liabilities at the close of the fiscal year by $2,725,719 (net assets).
- The District's total net assets increased by $543,006, primarily due to non operating revenues received from the Montgomery County Government and the State of Tennessee Emergency Communications Board.
- As of the close of the current fiscal year, the District's enterprise fund reported ending fund balance of $2,725,719 including an increase of $543,006 due to operations and a prior period adjustment of $60,275. Approximately 57 percent of this total amount, or $1,552,383, is available for spending at the government's discretion (unrestricted net assets).
- The District's total debt decreased by $367,364, or 9% during the current fiscal year. The key factor in this decrease was the payment of principal on long-term debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the District through the use of government-wide statements and fund financial statements. The government wide and fund financial statements are not presented separately because they are essentially the same. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide and the Fund Financial Statements. They provide both short and long-term information about the District's financial status.

Fund Financial Statements focus on the activities of the individual parts of the District. These statements normally provide more detail than the government-wide statements; however in the case of the District the statements are nearly identical. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements. The District's fund financial statements only contain proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the District's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the District's financial status as a whole.

The two government-wide statements report the District's net assets and how they have changed. Net assets are the difference between the District's total assets and total liabilities. Measuring net assets is one way to gauge the District's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The business-type activities are those that the District charges customers to provide.

The government-wide financial statements are on pages 11-13 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like all proprietary funds in Tennessee, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the District's budget. The District only has proprietary funds.

Proprietary Funds – The District has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses its enterprise fund to account for its operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 15-27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Districts's operations. Supplementary information can be found beginning on page 28-34 of this report.

Government-Wide Financial Analysis

The Clarksville Montgomery County E-911's Net Assets

Figure 2

	Business-Type Activities	
	2010	2009
Current and other assets	$ 1,681,518	$ 1,224,389
Capital assets, net	5,323,377	5,523,540
Total assets	7,004,895	6,747,929
Liabilities		
Current Liabilities	509,531	475,451
Other liabilities	3,769,645	4,150,039
Total liabilities	4,279,176	4,625,490
Net assets:		
Invested in capital assets, net of related debt	1,173,336	1,006,136
Unrestricted	1,552,383	1,116,303
Total net assets	$ 2,725,719	$ 2,122,439

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the District exceeded liabilities by $2,725,719 as of ne 30, 2010. The District's net assets increased by $603,280 for the fiscal year ended June 30, 2010. However, 43% reflects the District's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of $1,552,383 is unrestricted.

Subsequent Events – The District paid off the PSAP capital lease with Marlin Financial in October 2010. The lease payable at June 30, 2010 was $615,039

Several particular aspects of the District's financial operations positively influenced the total unrestricted governmental net assets:

- Continued investment in the E911 District from Montgomery County and the City of Clarksville.
- Grants obtained from the State of Tennessee's Emergency Communications Board.
- Continued diligence by management to contain expenses.

Clarksville Montgomery County E-911Changes in Net Assets
Figure 3

	Business Type Activities 2010	Business Type Activities 2009
Revenues:		
Program revenues:		
Charges for services	$ 1,424,035	1,542,880
Operational Funding	290,009	234,923
Grants and contributions	983,127	505,948
Other	167,501	163,292
Total revenues	2,864,672	2,447,043
Expenses:		
Operating Expenses	2,116,047	1,963,127
Non Operating Expenses	205,619	197,558
Total expenses	2,321,666	2,160,685
Increase in net assets	543,006	286,358
Net assets, July 1	2,182,713	1,896,355
Net assets, June 30	$ 2,725,719	$ 2,182,713

Business-type activities: Business-type activities increased the District's net assets by $543,006, accounting for 90% of the total growth in the government's net assets. Key elements of this increase are as follows:

- An increase in grants and contributions.
- An increase in operational funding. These funds come from the Tennessee Emergency Communications Board.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds. The District's proprietary funds provide the same type of information found in the government-wide statements. Unrestricted net assets of the District at the end of the fiscal year amounted to $1,552,383.

Budgetary Highlights: During the fiscal year, the District revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts primarily because of the decline in emergency telephone service charges as the general population of Montgomery County rely more on cell phones as the primary source for phone services. However, the District was able to mitigate the decrease in these service charges by an increase in the shared wireless revenue collected by the Tennessee Emergency Communications Board (TECB) and remitted to the District. In the current year, the TECB increased its operational funding provided to the District.

Operating expenses budgets were increased primarily from the original budget to account for increases in the employee medical insurance premiums. Another item that was increased was the training expense line item to account for additional training expenses paid for by a grant.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business–type activities as of June 30, 2010, totals $5,323,377 (net of accumulated depreciation). These assets include buildings and improvements, furniture and fixtures, communications equipment and other fixed assets.

There were no major asset additions or disposals in the current year.

District's Capital Assets

Figure 4

(net of depreciation)

	Business-type Activities 2010	Business-type Activities 2009
Building and Improvements	4,520,992	4,633,281
Furniture and Fixtures	26,397	30,972
Communications Equipment	735,595	817,468
Other Fixed Assets	40,393	47,094
Total	$ 5,323,377	$ 5,528,815

Additional information on the District's capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2010, the District had total bonded debt outstanding of $3,535,000. The District also had a capitalized lease obligation for the PSAP equipment that was purchased in January 2009. The outstanding obligation as of June 30, 2010 was $615,039.

District's Outstanding Debt

Figure 5

	Business-type Activities	
	2010	2009
Revenue bonds	$ 3,535,000	$ 3,760,000
Lease payable	615,039	757,403
Total	$ 4,150,039	$ 4,517,403

The District's total debt decreased by $367,364 during the past fiscal year, due to the principal payments on the bonds and capital lease.

Additional information regarding the District's long-term debt can be found in note 7 beginning on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2011

Business – type Activities: The revenue for the District is expected to decline in the next fiscal year due to a training grant that will not be renewed in the coming year. The training expense line item is also expected to decrease as well. The personnel expense line items are expected to increase based on projected COLA wage adjustments and an increase in the number of positions at the District. cover an equal increase in operating costs there, primarily in personnel costs and equipment maintenance expense.

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director, Loretta Byrant, 931-552-1011.

Gillette, Henderson & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010, 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, 2010, 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, 2011, 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.

Member: American Institute of Certified Public Accountants and Tennessee Society of Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Clarksville Montgomery County E-911's financial statements taken as a whole. The introductory section on page 1 and supplementary information on pages 28-34 are presented for purposes of additional analysis as required by the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts and are not a required part of the basic financial statements. The budgetary comparison schedule on pages 28-29 and schedules of detailed expenses on pages 30-34 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC
Hermitage, Tennessee
February 9, 2011

Clarksville Montgomery County E-911
(A Component Unit)
Statement of Net Assets
June 30, 2010

ASSETS

Current Assets	
Cash	$ 1,527,000
Accounts Receivable	97,864
Due from Tennessee Emergency Communications Board	56,654
Total Current Assets	1,681,518
Capital Assets	
Building and Improvements	5,314,855
Furniture and Fixtures	72,525
Communications Equipment	1,029,794
Other Capital Assets	52,120
Total Capital Assets	6,469,294
Accumulated Depreciation	(1,145,917)
Net Capital Assets	5,323,377
Total Assets	$ 7,004,895

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 8,702
Accrued Payroll	36,148
Payroll Deductions Payable	19,115
Compensated Absences Payable	65,172
Bonds Payable - Current	230,000
Capitalized Lease Obligations - Current	150,394
Total Current Liabilities	509,531
Noncurrent Liabilities	
Bonds Payable - Long-Term	3,305,000
Capitalized Lease Obligations - Long-Term	464,645
Total Noncurrent Liabilities	3,769,645
Total Liabilities	4,279,176
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,173,336
Unrestricted Net Assets	1,552,383
Total Net Assets	2,725,719
Total Liabilities and Net Assets	$ 7,004,895

See notes to financial statements

Clarksville Montgomery County E-911
(A Component Unit)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

Operating Revenue	
Emergency Telephone Service Charge	$ 1,081,743
Tennessee Emergency Communications Board - Shared Wireless Charge	342,292
Tennessee Emergency Communications Board - Operational Funding	290,009
Total Operating Revenues	1,714,044
Operating Expenses	
Salaries and Wages (see Exhibit 1)	1,129,481
Employee Benefits (see Exhibit 2)	430,290
Contracted Services (see Exhibit 3)	163,006
Supplies and Materials (see Exhibit 4)	84,892
Other Charges (see Exhibit 5)	82,510
Depreciation	225,868
Total Operating Expenses	2,116,047
Operating Income (Loss)	(402,003)
Nonoperating Revenues and (Expenses)	
Interest Income	1,145
Contributions from Primary Government	411,423
Tennessee Emergency Communications Board - Grants and Reimbursements	475,102
Miscellaneous Income	2,039
Interest Expense	(205,619)
Rental Income	164,317
Total Nonoperating Revenues and (Expenses)	848,407
Income before Capital Contribution	446,404
Capital Contributions	
Capital Contributions from Primary Government	39,925
Capital Contributions from Other Governments	56,677
Total Capital Contributions	96,602
Increase (Decrease) in Net Assets	543,006
Net Assets, Beginning of Year	2,122,438
Prior Period Adjustment	60,275
Net Assets, Beginning of Year as Restated	2,182,713
Net Assets, End of Year	$ 2,725,719

See notes to financial statements

Clarksville Montgomery County E-911
(A Component Unit)
Statement of Cash Flows
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Surcharges and Other Revenues	$ 1,786,676
Cash Payments for Payroll, Taxes and Benefits	(1,537,692)
Cash Payments to Suppliers for Goods and Services	(331,438)
Net Cash Provided by (Used in) Operating Activities	(82,454)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Primary Government	508,025
Grants/Reimbursements TECB	586,611
Other Nonoperating Revenue	2,039
Rental Income	164,317
Net Cash Provided by (Used in) Noncapital Financing Activities	1,260,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(20,430)
Interest Paid on Long-Term Debt	(205,619)
Principal Paid on Bonds Payable	(225,000)
Repayment of Capital Lease Obligation	(142,364)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(593,413)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	1,145
Net Cash Provided by (Used In) Investing Activities	1,145
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	586,270
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	940,730
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,527,000

See notes to financial statements

Clarksville Montgomery County E-911
(A Component Unit)
Statement of Cash Flows-Continued
For the Year Ended June 30, 2010

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating Income (Loss)	$ (402,003)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	225,868
(Increase) decrease in accounts receivable	19,156
(Increase) decrease in due from TECB	53,475
Increase (decrease) in accounts payable	(1,029)
Increase (decrease) in payroll deductions	3,033
Increase (decrease) in compensated absences	11,504
Increase (decrease) in accrued payroll	7,542
Total Adjustments	319,549
Net Cash Provided by (Used in) Operating Activities	$ (82,454)

NONCASH INVESTING AND FINANCING ACTIVITIES

See 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.

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, 2010 there were no cash equivalents.

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 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 5-40 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.

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 $1,145 was allocated to the District during the current year.

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 $1,527,000.

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, 2010, 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, 2010:

	Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Cash:				
Held in Pooled Checking	n/a	variable	$1,527,000	$1,535,984

Note 3 – Accounts Receivable

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

AT&T	$	59,443
Other Service Providers		38,421
Due From TECB		56,654
Total	$	154,518

Note 4 – Property and Equipment

Property and Equipment consisted of the following at June 30, 2010:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Buildings and Improvements	$ 5,294,425	$ 20,430	$ -	$ 5,314,855
A/D - Buildings and Improvements	(661,144)	(132,719)	-	(793,863)
Furniture and Fixtures	72,525	-	-	72,525
A/D - Furniture and Fixtures	(41,553)	(4,575)	-	(46,128)
Communications Equipment	1,029,794	-	-	1,029,794
A/D - Communications Equipment	(212,326)	(81,873)	-	(294,199)
Other Fixed Assets	52,120	-	-	52,120
A/D - Other Fixed Assets	(5,026)	(6,701)	-	(11,727)
Net Property and Equipment	$ 5,528,815	$ (205,438)	$ -	$ 5,323,377

Note 5 – Operating Lease and Related Party Transactions

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 two 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, 2010, the amount paid was $35,941.

The District also signed interlocal agreements with Montgomery County to receive compensation for dispatch services provided by the District and to compensate the District for a portion of the new PSAP equipment upgrade. The interlocal agreement for the offset of the PSAP upgrade is in place from July 1, 2009 thru June 30, 2013 at $3,327/month for a total of $39,924 for the year. The interlocal agreement for the dispatch services was in place from July 1, 2009 through June 30, 2010 at 34,285/month for a total of $411,423 for the year. There were no amounts due to or from Montgomery County at June 30, 2010.

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/.

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, 2010 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, 2010, Montgomery County 911 Emergency Communications District's annual pension cost of $124,346 to TCRS was equal to Montgomery County 911 Emergency Communications District's required and actual

Note 6 – Retirement Plan-continued

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, 2010	$120,476	100.00%	$0.00
June 30, 2009	$116,531	100.00%	$0.00
June 30, 2008	$114,135	100.00%	$0.00

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.

Note 6 – Retirement Plan-continued

Schedule of Funding Progress for Montgomery County 911 ECD

(Dollar amounts in thousands)

Actuarial Valuation Date	*Acutarial Value of Plan Assets (a)*	*Actuarial Accrued Liability (AAL) -Entry Age (b)*	*Unfunded AAL (UAAL) (b) - (a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as a Percentage of Covered Payroll ((b-a)/c)*
July 1, 2009	$1,745	$2,086	$341	83.63%	$968	35.25%
July 1, 2007	$1,524	$1,756	$232	86.79%	$947	24.50%

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 therefore a liability for the bond payable is recorded on the District's books. 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. See Also Note 11.

Note 7 – Long-Term Debt-continued

Annual debt service requirements to maturity are as follows:

	Lease Payable	
Year Ending	Principal	Interest
6/30/2011	$ 380,395	$ 189,039
6/30/2012	398,878	171,355
6/30/2013	417,840	152,793
6/30/2014	397,927	133,154
6/30/2015	270,000	118,860
6/30/16-6/30/21	1,555,000	453,333
6/30/2022	730,000	35,588
Total	$ 4,150,039	$ 1,254,122

Long-Term debt for the year ended June 30, 2010 is as follows:

	6/30/09	Additions	Reductions	6/30/10	Due Within One Year
Revenue Bonds	$ 3,760,000	$ -	$ (225,000)	$ 3,535,000	$ 230,000
Lease Payable	757,403	-	(142,364)	615,039	150,394
Total	$ 4,517,403	$ -	$ (367,364)	$ 4,150,039	$ 380,394

The total interest incurred on these liabilities for the year ending June 30, 2010 was $205,619.

Note 8 - Economic Dependency

As of and for the year ended June 30, 2010, the District has the following balances and transactions with respect to major customers:

	Revenues	A/R
TECB	$ 1,107,403	$ 56,654
AT&T	$ 731,355	$ 59,443

Note 9 – Prior Period Adjustment

During the current year, it was determined that the building recorded in the June 30, 2009 financial statements was under capitalized in the amount of $5,275.

It was also determined that revenue of $55,000 that should have been recorded in the June 30, 2009 financial statements was not included in accounts receivable in the prior year.

To correct these errors, the beginning net assets of $2,122,438 has been increased by $60,275 as follows:

Beginning Net Assets	$ 2,122,438
Increase due to increase in capitalized amount for building	5,275
Increase due to revenue that was not included in income in prior year	55,000
Beginning Net Assets - restated	$ 2,182,713

Note 10 - Other Postemployment Benefits (OPEB)

Self-Insurance Plan

Plan Description

All full-time employees and eligible retirees of the primary government of Montgomery County including the emergency communications district are eligible to participate in the health and dental insurance cost sharing plan accounted for in the Self-Insurance Fund (internal service fund). For accounting purposes, the plan is an agent single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

An employee who retires from Montgomery County becomes eligible for retiree health coverage if they have 20 years of service and were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. Once the retirees or their dependent(s) become eligible for Medicare, the county coverage will become the secondary insurance provider.

Note 10 - Other Postemployment Benefits (OPEB)-continued

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution	$ 12,541
Interest on the Net OPEB Obligation	-
Adjustment on Annual Required Contributions	-
Annual OPEB Cost	12,541
Amount of Contribution	(13,292)
Increase/Decrease in Net OPEB Obligation	(751)
Net OPEB Obligation, July 1, 2009	-
Net OPEB Obligaton, June 30, 2010	$ (751)

Fiscal Year	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2010	Emergency Communications District	$ 12,541	100%	$ (751)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

Actuarial Valuation Date	1/1/2010
Actuarial Accrued Liability (AAL)	$ 98,653
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	98,653
Actuarial Value of Assets as a Percentage of AAL	0%
Covered Payroll	$ 1,067,763
Unfunded Actuarial Accrued Liability	9.24%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 10 - Other Postemployment Benefits (OPEB)-continued

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent for 2010, with the assumption that annual medical costs will increase eight percent per year. There was no unfunded actuarial accrued liability at June 30, 2010.

Note 11 – Subsequent Events

In October 2010, the lease payable described in Note 7 was paid off in full.

Subsequent events have been evaluated through February 9, 2011, which is the date the financial statements were available to be issued.

End of Notes

Clarksville Montgomery County E-911
(A Component Unit)
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Revenues				
Emergency Telephone Service Charge	$ 1,200,000	$ 1,200,000	1,081,743	$ (118,257)
TECB - Shared Wireless Charge	328,200	328,200	342,292	14,092
TECB - Operational Funding	234,923	234,923	290,009	55,086
Total Operating Revenues	1,763,123	1,763,123	1,714,044	(49,079)
Operating Expenses				
Salaries and Wages				
Director	68,048	69,526	69,526	-
Dispatchers	910,666	926,257	933,132	6,875
Maintenance Personnel	61,134	61,134	60,566	(568)
Overtime Pay	15,000	44,000	41,974	(2,026)
Part-time Personnel	15,000	25,900	24,283	(1,617)
Total Salaries and Wages	1,069,848	1,126,817	1,129,481	2,664
Employee Benefits				
Social Security	67,694	68,085	67,112	(973)
Medicare	15,832	15,923	15,696	(227)
Life Insurance	1,250	1,260	1,165	(95)
Medical Insurance	166,055	220,037	214,471	(5,566)
Unemployment Compensation	7,500	7,500	7,500	-
Retirement Contributions	122,941	125,277	124,346	(931)
Other Fringe Benefits	682	682	-	(682)
Total Employee Benefits	381,954	438,764	430,290	(8,474)
Contracted Services				
Audit Services	9,500	8,500	8,500	-
Contracts with Private Agencies	700	1,700	744	(956)
Legal Services	7,500	7,500	195	(7,305)
NCIC/TBI/TIES Expenses	40	40	-	(40)
Lease/Rental - Communications Equipment	95,000	92,400	87,140	(5,260)
Lease/Rental - Buildings and Facilities	392,433	224,990	-	(224,990)
Lease/Rental - Office Equipment	5,000	5,200	4,671	(529)
Maintenance and Repairs - Communication Equipment	89,000	77,164	45,319	(31,845)
Maintenance and Repairs - Buildings and Facilities	12,000	32,430	14,314	(18,116)
Maintenance and Repairs - Office Equipment	1,500	1,500	444	(1,056)
Other Contracted Services	2,000	2,000	1,679	(321)
Total Contracted Services	614,673	453,424	163,006	(290,418)
Supplies and Materials				
Office Supplies	3,600	4,247	4,058	(189)
Custodial Supplies	8,000	8,000	7,189	(811)
Small Equipment Purchases	7,825	7,625	2,309	(5,316)
Utilities - Electric	52,000	52,000	50,257	(1,743)
Utilities - Water and Sewer	3,000	3,000	1,659	(1,341)
Utilities - General Telephone	13,000	15,600	15,467	(133)
Other Supplies and Materials	5,000	4,823	3,953	(870)
Total Supplies and Materials	$ 92,425	$ 95,295	$ 84,892	$ (10,403)

Clarksville Montgomery County E-911
(A Component Unit)
Budgetary Comparison Schedule-continued
For the Year Ended June 30, 2010

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Expenses (continued)				
Other Charges				
Dues and Memberships	$ 2,500	$ 2,466	$ 1,275	$ (1,191)
Insurance - Workers Compensation	12,000	12,000	-	(12,000)
Insurance - Liability	32,200	32,200	19,642	(12,558)
Insurance - Buildings and Contents	7,080	7,080	6,888	(192)
Licenses and Fees	200	200	-	(200)
Premiums on Surety Bonds	150	150	-	(150)
Training Expenses	10,000	72,000	34,516	(37,484)
Trustee Commission	19,000	21,000	18,589	(2,411)
Other Charges	4,000	4,000	1,600	(2,400)
Total Contracted Services	87,130	151,096	82,510	(68,586)
Depreciation Expense	86,426	225,870	225,868	(2)
Total Operating Expenses	2,332,456	2,491,266	2,116,047	(375,219)
Operating Income (Loss)	(569,333)	(728,143)	(402,003)	326,140
Nonoperating Revenues and (Expenses)				
Interest Income	4,000	4,000	1,145	(2,855)
Contributions from Primary Government	411,623	411,623	411,423	(200)
Tennessee Emergency Communications Board - Grants and Reimbursements	10,000	475,102	475,102	-
Miscellaneous Income	-	2,450	2,039	(411)
Interest Expense	(26,541)	(205,619)	(205,619)	-
Loss on Disposal of Property	-	-	-	-
Rental Income	164,147	164,147	164,317	170
Total Non-Operating Revenues and (Expense)	563,229	851,703	848,407	(3,296)
Income before Capital Contribution	(6,104)	123,560	446,404	322,844
Capital Contributions				
Capital Contributions from Primary Government	39,925	39,925	39,925	-
Capital Contributions from Other Governments	56,676	56,676	56,677	1
Total Capital Contributions	96,602	96,601	96,602	1
Increase (Decrease) in Net Assets	90,498	220,161	543,006	322,845
Net Assets, Beginning of Year	2,122,438	2,122,438	2,122,438	
Prior Period Adjustment			60,275	
Net Assets, End of Year	$ 2,212,936	$ 2,342,599	$ 2,725,719	

See Auditors' Report

Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 1 - Schedule of Salaries and Wages
For the Year Ended June 30, 2010

Director	$ 69,526
Dispatchers	933,132
Maintenance Personnel	60,566
Overtime Pay	41,974
Part-time Personnel	24,283
Total Salaries and Wages	$ 1,129,481

Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 2 - Schedule of Employee Benefits
For the Year Ended June 30, 2010

Social Security	$	67,112
Medicare		15,696
Life Insurance		1,165
Medical Insurance		214,471
Unemployment Compensation		7,500
Retirement Contributions		124,346
Total Employee Benefits	$	430,290

Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 3 - Schedule of Contracted Services
For the Year Ended June 30, 2010

Audit Services	$	8,500
Contracts with Private Agencies		744
Legal Services		195
Lease/Rental - Communications Equipment		87,140
Lease/Rental - Office Equipment		4,671
Maintenance and Repairs - Communications Equipment		45,319
Maintenance and Repairs - Buildings and Facilities		14,314
Maintenance and Repairs - Office Equipment		444
Other Contracted Maintenance Services		1,679
Total Contracted Services	$	163,006

Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 4 - Schedule of Supplies and Materials
For the Year Ended June 30, 2010

Office Supplies	$	4,058
Custodial Supplies		7,189
Small Equipment Purchases		2,309
Utilities - Electric		50,257
Utilities - Water and Sewer		1,659
Utilities - General Telephone		15,467
Other Supplies and Materials		3,953
Total Supplies and Materials	$	84,892

Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 5 - Schedule of Other Charges
For the Year Ended June 30, 2010

Dues and Memberships	$	1,275
Insurance - Liability		19,642
Insurance - Buildings and Contents		6,888
Training Expenses		34,516
Other Charges - Trustee Commission		18,589
Other Charges		1,600
Total Contracted Services	$	82,510

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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, 2011

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, 2010 and have issued our report thereon dated February 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

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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 2010-1 and 2010-2

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

Finding 2010-1 Excess Expenditures over Budget (repeat finding)

Condition: One category 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 2010-2 – Internal Control over Compliance with the Accounting Manual (repeat finding)

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.