

**CITY OF CLINTON
EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of City of Clinton, Tennessee)**

Clinton, Tennessee

FINANCIAL STATEMENTS

June 30, 2011

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011**

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INTRODUCTORY SECTION

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee**

Board of Directors

June 30, 2011

Archie Brummitt, Chairman

Richard Scarbrough, Vice-Chairman

William Riggs, Secretary/Treasurer

Joe Roberts, Board Member

Randy Page, Board Member

Jim Sanderson, Board Member

Mark Alderson, Board Member

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
The City of Clinton Emergency Communications District
Clinton, Tennessee

We have audited the accompanying balance sheet of the City of Clinton Emergency Communications District (the District), a component unit of the City of Clinton, Tennessee as of June 30, 2011, and the related statements of revenues, expenses, and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Clinton Emergency Communications District as of June 30, 2011, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and supplementary sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section 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.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 8, 2011

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

125 W. Broad Street
Clinton, Tennessee 37716
(865) 457-3112

Management's Discussion and Analysis

The management of the City of Clinton Emergency Communications District (the District), has provided this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the information provided in the financial statements, notes to financial statements, and supplementary information when reviewing the District's financial activities and condition.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements consist of a Balance Sheet, Statement of Revenues, Expenses and Change in Net Assets, Statement of Cash Flows and notes to the financial statements. This report also contains supplementary information in addition to the financial statements.

Financial statements. The Balance Sheet presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the District's net assets changed during the last fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable are expensed when incurred but paid at a later date).

The Statement of Cash Flows presents information on the actual cash inflows and outflows resulting from the various operating, financing, capital, and investing activities of the District for the last fiscal year.

The District's financial statements can be found on pages 7 through 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 10 through 14 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the District. This supplementary information can be found on pages 15 through 16 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$204,113. Approximately \$148,617 or 73% is reported as unrestricted. The unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$96,426. This increase is primarily the result of decreasing the amount of reimbursement to the primary government for dispatcher salaries and benefits, and increased funding from the Tennessee Emergency Communications Board (TECB).

Net Assets

Net assets may serve over time as a useful indicator of a fund's financial position. The following table focuses on the net assets and changes in net assets of the District.

	<u>2011</u>	<u>2010</u>
<u>BALANCE SHEET</u>		
Current assets	\$ 149,385	\$ 48,338
Capital assets - net	55,496	59,366
Total assets	<u>\$ 204,881</u>	<u>\$ 107,704</u>
Current liabilities	<u>\$ 768</u>	<u>\$ 17</u>
Net assets:		
Invested in capital assets	55,496	59,366
Unrestricted	148,617	48,321
Total net assets	<u>204,113</u>	<u>107,687</u>
Total liabilities and net assets	<u>\$ 204,881</u>	<u>\$ 107,704</u>
<u>CHANGES IN NET ASSETS</u>		
Operating revenues	\$ 220,631	\$ 211,357
Operating expenses	<u>221,268</u>	<u>333,787</u>
Operating loss	(637)	(122,430)
Non-operating revenues - net	<u>97,063</u>	<u>4,224</u>
Change in net assets	96,426	(118,206)
Beginning net assets	<u>107,687</u>	<u>225,893</u>
Ending net assets	<u>\$ 204,113</u>	<u>\$ 107,687</u>

A portion of the District's net assets reflects its investment in capital assets (i.e., equipment, furniture and fixtures), less accumulated depreciation. The District uses these capital assets to provide emergency 911 services to citizens of the City of Clinton. As a result, these net assets: invested in capital assets, which currently amount to \$55,496 or 27% of total net assets, are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets

At the fiscal year end of June 30, 2011, the District had \$55,496 invested in capital assets as outlined below (a \$3,870 or 6.5% decrease over the last year).

	<u>2011</u>	<u>2010</u>
Machinery and equipment	\$ 30,275	\$ 30,504
Communication equipment	321,661	309,929
Furniture and fixtures	0	1,467
Office equipment	<u>17,938</u>	<u>21,389</u>
	369,874	363,289
Less accumulated depreciation	<u>(314,378)</u>	<u>(303,923)</u>
	<u>\$ 55,496</u>	<u>\$ 59,366</u>

Additional information on the District's capital assets can be found in note IV on page 13 of this report.

Debt

At the fiscal year end, the District had no outstanding bonds payable, notes payable or lease obligations outstanding. During the upcoming fiscal year, the District does not anticipate substantial additions to the District's capital assets.

Economic Factors and Next Fiscal Year

The rates were not increased for the upcoming fiscal year ending June 30, 2012. The residential surcharge will remain at \$.65 and the business surcharge will remain at \$2.00.

The largest operating expense for fiscal year 2011 was salaries and benefits that was reimbursed to the City of Clinton. For fiscal year 2012 that reimbursement was decreased from \$150,000 to \$50,000. The District plans to work toward increasing that amount as revenues permit.

The District continues to work toward implementing the state wide and national initiative Next Generation 911. The Tennessee Emergency Communications Board is providing grant monies to offset the cost of the equipment requirements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Archie Brummitt, Chairman of the Board
City of Clinton Emergency Communications District
125 W. Broad Street
Clinton, Tennessee 37716

Phone: 865.457.0424

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

BALANCE SHEET
June 30, 2011

Assets

Current assets:

Cash and cash equivalents	\$ 103,015
Accounts receivable	46,370
Total current assets	<u>149,385</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation totaling \$314,378	55,496
Total assets	<u>\$ 204,881</u>

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accounts payable	\$ 630
Due to primary government	138
Total liabilities	<u>768</u>

Net assets:

Invested in capital assets	55,496
Unrestricted	148,617
Total net assets	<u>204,113</u>
Total liabilities and net assets	<u>\$ 204,881</u>

See the accompanying notes to the financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

Operating Revenues	
Emergency telephone service charges	\$ 53,924
TECB - Wireless fees	24,598
TECB - Operational funding program	124,109
TECB - Operating grants	18,000
Total operating revenues	220,631
 Operating Expenses	
Salaries and wages	150,000
Contracted services	13,407
Supplies and materials	17,110
Other charges	20,536
Depreciation	20,215
Total operating expenses	221,268
Operating Income (Loss)	(637)
 Nonoperating Revenues (Expenses)	
TECB - Grants and reimbursements	96,861
Interest income	202
Total non-operating revenues (expenses) - net	97,063
Change in Net Assets	96,426
Net assets, beginning of year	107,687
Net assets, end of year	\$ 204,113

See the accompanying notes to the financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

Cash flows from operating activities

Cash received from service fees and operational funding	\$ 221,292
Cash paid for payroll, taxes, and related benefits	(150,000)
Cash paid to suppliers for goods and services	<u>(50,301)</u>
Net cash provided by operating activities	<u>20,991</u>

Cash flows from capital and related financing activities

TECB - Grants and reimbursements	80,515
Purchase of equipment	<u>(16,345)</u>
Net cash provided by capital and related financing activities	<u>64,170</u>

Cash flows from investing activities

Interest received	<u>202</u>
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Net increase in cash and cash equivalents	85,363
Cash and cash equivalents, beginning of year	<u>17,652</u>
Cash and cash equivalents, end of year	<u>\$ 103,015</u>

Reconciliation of operating loss to net cash provided by operating activities

Operating income (loss)	\$ (637)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	20,215
Decrease in accounts receivable	662
Increase in accounts payable	613
Increase in due from primary government	<u>138</u>
Net cash provided by operating activities	<u>\$ 20,991</u>

See the accompanying notes to the financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

Notes to the Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Clinton Emergency Communications District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies of the District:

(A) Reporting Entity

The District has established and operates a 911 service for the residents of the City of Clinton, Tennessee which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units.

The District is considered a component unit of the City of Clinton, Tennessee and is discretely presented in the City of Clinton Annual Financial Report. The District is governed by a seven-member Board of Directors (the Board). The Board is appointed by the City of Clinton Council and any debt issuances require the Council's approval.

(B) Basis of Accounting

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and measurable. Expenses are recorded at the time the liability is incurred.

The District applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounts Standards Board (GASB) pronouncements. The District has elected not to adopt the FASB statements and interpretations issued after November 30, 1989, in accordance with GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*".

The District's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The District is maintained as a proprietary fund. Proprietary funds are used to account for business-type activities which are activities financed in whole or in part by fees charged to external parties for goods or services.

Additionally, proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

principal ongoing operations. The principal operating revenues of the District are user fees for landline and wireless telephone customers. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, contracted services, supplies and materials, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(C) Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash and cash equivalents include demand deposits and short-term investments with original maturities of three months or less from the acquisition date. Investments are stated at fair value, which approximates cost. Currently, no investments are held in the District's name.

2. Receivables and Payables

All trade and subsidy receivables and payables are recognized when incurred and recorded at full value. Any receivable amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

4. Capital Assets

Capital assets, which include furniture and fixtures, equipment, and building improvements, are defined as assets with a life greater than one year and initial individual cost of \$1,000 or greater. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for all assets is five years.

5. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, restricted net assets, and unrestricted net assets. Invested in capital assets includes all capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2011 has been calculated as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Capital assets	\$ 369,874
Accumulated depreciation	<u>(314,378)</u>
	<u>\$ 55,496</u>

The restricted net assets category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2011. The unrestricted net assets category includes all other net assets that do not meet the definition of "restricted" or "invested in capital assets".

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.

(D) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

(E) Revenue Recognition

Emergency telephone service charge revenues are recognized in the period in which the monthly fees are billed by the service supplier to the subscribers. Any subscriber accounts subsequently determined to be uncollectible are charged against revenues at that time. In management's opinion, such reporting does not materially affect the financial statements.

Wireless fees are collected and remitted to the District through the State of Tennessee Emergency Communications Board (TECB). Shared wireless revenues are recognized by the District in the period the surcharge is assessed by the service provider. The TECB has approved additional funding from wireless revenues that will be provided annually to the local emergency communications districts for operational needs.

II. BUDGETARY INFORMATION

As required by statutes of the State of Tennessee, the District adopts an annual operating budget. The budget proposal is prepared by the Board Chairman and approved by the Board. The Board maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

III. DEMAND DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool.

Tennessee Code Annotated (TCA) §9-1-107 requires the District to secure deposits by having banks pledge governmental securities as collateral. The state statute requires collateral whose market value is equal to 105% of the deposit, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). In lieu of pledged collateral, the bank may participate in the bank collateral pool as administered by the Tennessee State Treasurer. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be entirely insured or collateralized.

At June 30, 2011, all of the District's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the District follow state law as described above.

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital assets being depreciated:				
Machinery and equipment	\$ 30,504	\$ 0	\$ 229	\$ 30,275
Communication equipment	309,929	16,346	4,614	321,661
Furniture and fixtures	1,467	0	1,467	0
Office equipment	21,389	0	3,451	17,938
Total capital assets being depreciated	<u>363,289</u>	<u>16,346</u>	<u>9,761</u>	<u>369,874</u>
Accumulated depreciation:				
Machinery and equipment	30,504	0	229	30,275
Communication equipment	254,698	18,819	4,614	268,903
Furniture and fixtures	1,442	25	1,467	0
Office equipment	17,279	1,372	3,451	15,200
Total accumulated depreciation	<u>303,923</u>	<u>20,216</u>	<u>9,761</u>	<u>314,378</u>
Total capital assets, net	<u>\$ 59,366</u>	<u>\$ (3,870)</u>	<u>\$ 0</u>	<u>\$ 55,496</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

V. 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; and natural disasters. The District carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

VI. REIMBURSED EXPENSES

The E-911 dispatchers are employees of the City of Clinton. All salaries, taxes, retirement, and associated benefits of the E-911 dispatchers are paid directly by the City of Clinton (primary government) through its General Fund. The District has agreed to reimburse the City of Clinton for a portion of these costs, as determined on an annual basis. The amount reimbursed for this fiscal year was \$150,000.

SUPPLEMENTARY INFORMATION

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Operating Revenues				
Emergency telephone service charges	\$ 63,250	\$ 60,000	\$ 53,924	\$ (6,076)
TECB - Wireless fees	24,000	23,500	24,598	1,098
TECB - Operational funding program	72,215	82,800	124,109	41,309
TECB - Operating grants	18,000	18,000	18,000	0
Total operating revenues	<u>177,465</u>	<u>184,300</u>	<u>220,631</u>	<u>36,331</u>
Operating Expenses				
Salaries and wages	200,000	150,000	150,000	0
Contracted services:				
Audit services	3,700	4,824	4,823	(1)
Data processing services	584	584	584	0
Legal services	250	0	0	0
NCIC/TBI/TIES expenses	8,000	8,000	8,000	0
Supplies and materials:				
Maintenance and repairs-equipment	18,000	13,000	13,094	94
Maintenance and repairs-buildings	2,500	500	62	(438)
Maintenance and repairs-vehicles	750	0	0	0
Office supplies	5,000	1,500	1,745	245
Postage	0	10	9	(1)
Uniforms	2,200	2,000	2,200	200
Other charges:				
Operating lease-communication equipment	7,700	6,370	6,370	0
Operating lease-facilities	3,174	3,650	3,650	0
Utilities-electric	400	400	415	15
Utilities-gas	750	0	0	0
Utilities-telephone	1,200	1,400	1,741	341
Utilities-cellular phones	1,035	1,000	568	(432)
Subscriptions and periodicals	750	750	709	(41)
Dues and memberships	250	100	0	(100)
Insurance-liability	497	921	921	0
Insurance-equipment	282	195	195	0
Insurance-vehicles	650	0	0	0
Legal notices	100	20	31	11
Premiums on surety bonds	1,800	1,675	1,675	0
Training	4,500	4,500	4,261	(239)
Travel	1,000	0	0	0
Depreciation	55,000	20,500	20,215	(285)
Total operating expenses	<u>320,072</u>	<u>221,899</u>	<u>221,268</u>	<u>(631)</u>
Operating Income (Loss)	<u>(142,607)</u>	<u>(37,599)</u>	<u>(637)</u>	<u>36,962</u>
Non-operating Revenues (Expenses)				
TECB - Grants and reimbursements	124,000	96,845	96,861	16
Interest income	450	200	202	2
Total non-operating revenues (expenses)	<u>124,450</u>	<u>97,045</u>	<u>97,063</u>	<u>18</u>
Change in Net Assets	<u>\$ (18,157)</u>	<u>\$ 59,446</u>	<u>\$ 96,426</u>	<u>\$ 36,980</u>

See independent auditor's report.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>State Financial Assistance</u>						
Tennessee Department of Commerce and Insurance - TECB GIS Funding	N/A	N/A	\$ 0	\$ 10,000	\$ 10,000	\$ 0
Tennessee Department of Commerce and Insurance - TECB Dispatcher training funding	N/A	N/A	0	8,000	8,000	0
Tennessee Department of Commerce and Insurance - TECB Equipment funding	N/A	N/A	0	80,515	96,861	(16,346)
Total State Awards			<u>\$ 0</u>	<u>\$ 98,515</u>	<u>\$ 114,861</u>	<u>\$ (16,346)</u>

Note: Significant Accounting Policies
The Schedule of State Awards includes the grant activity of the District and is presented on the accrual basis of accounting.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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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*

Board of Directors of
The City of Clinton Emergency Communications District
Clinton, Tennessee

We have audited the financial statements of the City of Clinton Emergency Communications District (the District), a component unit of the City of Clinton, Tennessee as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 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

Management of the District is responsible for establishing and maintaining effective 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 opinion 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 the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.



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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and various governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 8, 2011

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee**

**Disposition of Prior Year Audit Findings
June 30, 2011**

2010-1 Journal Entry Approvals

Condition – We noted that journal entries are not subjected to review and approval of management.

Recommendation – We recommend that all journal entries be reviewed and approved by the management.

Management's Response – We concur. We will implement a review and approval process related to the District's journal entries.

Current Year Update – This finding is resolved. All journal entries are being reviewed and approved by management.